翰森製藥
HANSOH PHARMA

# ANNUAL REPORT · 2024

翰森製藥集團有限公司 | Stock Code: 3692
Hansoh Pharmaceutical Group Company Limited (Incorporated in the Cayman Islands with limited liability)

# Contents

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Ms. Zhong Huijuan (鍾慧娟)
*(Chairlady and Chief Executive Officer)*
Ms. Sun Yuan (孫遠)
Dr. Lyu Aifeng (呂愛鋒)

### Independent Non-executive Directors

Mr. Lin Guoqiang (林國強)
Mr. Chan Charles Sheung Wai (陳尚偉)
Ms. Yang Dongtao (楊東濤)

## AUDIT COMMITTEE

Mr. Chan Charles Sheung Wai (陳尚偉) *(Chairman)*
Mr. Lin Guoqiang (林國強)
Ms. Yang Dongtao (楊東濤)

## REMUNERATION COMMITTEE

Ms. Yang Dongtao (楊東濤) *(Chairlady)*
Ms. Zhong Huijuan (鍾慧娟)
Mr. Lin Guoqiang (林國強)

## STRATEGY AND DEVELOPMENT COMMITTEE

Ms. Zhong Huijuan (鍾慧娟) *(Chairlady)*
Dr. Lyu Aifeng (呂愛鋒)
Mr. Chan Charles Sheung Wai (陳尚偉)
Ms. Yang Dongtao (楊東濤)

## ESG COMMITTEE

Dr. Lyu Aifeng (呂愛鋒) *(Chairman)*
Ms. Yang Dongtao (楊東濤)
Mr. Chan Charles Sheung Wai (陳尚偉)

## NOMINATION COMMITTEE

Ms. Zhong Huijuan (鍾慧娟) *(Chairlady)*
Mr. Lin Guoqiang (林國強)
Mr. Chan Charles Sheung Wai (陳尚偉)

## JOINT COMPANY SECRETARIES

Ms. Zhong Shengli (鍾勝利)
Ms. Li Yan Wing Rita (李昕穎) [1]
Ms. Tam Sze Wai Sara (譚思慧) [1, 2]
Ms. Wong Yuen Ki (黃浣琪) [2]

## AUTHORISED REPRESENTATIVES

Ms. Sun Yuan (孫遠)
Ms. Li Yan Wing Rita (李昕穎) [1]
Ms. Tam Sze Wai Sara (譚思慧) [1, 2]
Ms. Wong Yuen Ki (黃浣琪) [2]

## LISTING INFORMATION

*Ordinary Shares*
The Stock Exchange of Hong Kong Limited
Stock Code: 3692

*Convertible Bonds*
US$600,000,000 zero-coupon convertible bonds due in 2026 issued on January 22, 2021
The Stock Exchange of Hong Kong Limited
Convertible Bonds Code: 40546

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1 Ms. Li Yan Wing Rita resigned as the joint company secretary, authorized representative and process agent of the Company with effect from April 29, 2024. Ms. Tam Sze Wai Sara was appointed as the joint company secretary, authorized representative and process agent of the Company with effect from April 29, 2024.

2 Ms. Tam Sze Wai Sara resigned as the joint company secretary, authorized representative and process agent of the Company with effect from January 24, 2025. Ms. Wong Yuen Ki was appointed as the joint company secretary, authorized representative and process agent of the Company with effect from January 24, 2025.

# Corporate Information

## REGISTERED OFFICE IN THE CAYMAN ISLANDS

P.O. Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

## PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE PRC

No. 287 Xiangke Road
Pudong New Area
Shanghai
The PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG[3]

Room 1928, 19/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

## AUDITOR

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

## HONG KONG LEGAL ADVISOR

Cleary Gottlieb Steen & Hamilton (Hong Kong)
37/F, Hysan Place
500 Hennessy Road
Causeway Bay
Hong Kong

## CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
P.O. Box 1093, Boundary Hall
Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

## PRINCIPAL BANK

Lianyungang Branch of the Bank of Communications
No.45 Huanghe Road
Economic & Technical Development Zone
Lianyungang
Jiangsu
The PRC

## COMPANY'S WEBSITE

**www.hspharm.com**

3 Change of address took effect from January 10, 2025.

# Financial Highlights

## RESULTS

| | **2024**<br>***RMB'000*** | 2023<br>*RMB'000* | 2022<br>*RMB'000* | 2021<br>*RMB'000* | 2020<br>*RMB'000* |
|---|---|---|---|---|---|
| **REVENUE** | **12,260,814** | 10,103,806 | 9,382,410 | 9,935,141 | 8,690,234 |
| Cost of sales | **(1,105,408)** | (1,030,863) | (867,010) | (870,042) | (801,561) |
| **Gross profit** | **11,155,406** | 9,072,943 | 8,515,400 | 9,065,099 | 7,888,673 |
| Other income | **1,133,336** | 1,125,424 | 448,687 | 393,188 | 220,637 |
| Selling and distribution expenses | **(3,795,848)** | (3,531,163) | (3,550,230) | (3,427,818) | (3,103,018) |
| Administrative expenses | **(712,546)** | (709,844) | (597,460) | (943,423) | (758,641) |
| Research and development costs | **(2,701,650)** | (2,097,046) | (1,693,314) | (1,797,012) | (1,252,246) |
| Other gains/(expenses), net | **13,173** | (27,480) | (116,513) | 62,866 | 102,894 |
| Finance cost | **(6,689)** | (66,679) | (58,142) | (52,818) | – |
| **PROFIT BEFORE TAX** | **5,085,182** | 3,766,155 | 2,948,428 | 3,300,082 | 3,098,299 |
| Income tax expense | **(713,357)** | (488,652) | (364,681) | (587,180) | (529,392) |
| **PROFIT FOR THE YEAR** | **4,371,825** | 3,277,503 | 2,583,747 | 2,712,902 | 2,568,907 |

## ASSETS AND LIABILITIES

| | **2024**<br>***RMB'000*** | 2023<br>*RMB'000* | 2022<br>*RMB'000* | 2021<br>*RMB'000* | 2020<br>*RMB'000* |
|---|---|---|---|---|---|
| **Total assets** | **31,657,849** | 33,039,079 | 30,001,879 | 27,160,171 | 20,792,060 |
| **Total liabilities** | **2,977,935** | 7,244,306 | 7,354,935 | 7,131,326 | 2,916,462 |
| **Total equity** | **28,679,914** | 25,794,773 | 22,646,944 | 20,028,845 | 17,875,598 |

# Corporate Overview

The Company is a leading innovation-driven pharmaceutical enterprise in China. With the mission of "continuous innovation for better life", the Company focuses on major disease therapeutic areas such as oncology, anti-infectives, CNS, metabolism and autoimmunity. The Company has launched 7 innovative drugs, forming a rich product pipeline. For the year ended December 31, 2024, the revenue of innovative drugs and collaborative products amounted to approximately RMB9,477 million and accounted for approximately 77.3% of the revenue, becoming a core driver for sustainable growth of the Company's performance.

The major achievements during the Reporting Period were as follows:

In January 2024, HS-10501 tablets, a Category 1 innovative drug self-developed by the Group, obtained a clinical trial approval issued by the NMPA, which was intended for the treatment of type 2 diabetes mellitus and obesity in adults, with specific indication to be determined after the completion of clinical research.

In February 2024, HS-10398 capsules, a Category 1 innovative drug self-developed by the Group, obtained a clinical trial approval issued by the NMPA, which was intended for the treatment of immunoglobulin A nephropathy and membranous nephropathy, with specific indication to be determined after the completion of clinical research.

In March 2024, the Group entered into a license agreement with Biotheus, pursuant to which, the Group obtained an exclusive license from Biotheus to use HS-20117 (collaborator code PM1080) for the development, production, and commercialization of bispecific ADC product on a global basis, with the right of sublicense.

In April 2024, HS-10504 tablets, a Category 1 innovative drug self-developed by the Group, obtained a clinical trial approval issued by the NMPA, which was intended for the treatment of advanced NSCLC, with specific indication to be determined after the completion of clinical research.

In April 2024, the Group entered into a license agreement with Qyuns, pursuant to which, the Group obtained an exclusive license from Qyuns to develop and commercialize monoclonal antibody HS-20137 (collaborator code QX004N) within China (including Hong Kong, Macau and Taiwan).

In July 2024, the third NDA of Ameile (阿美樂®), an innovative drug of the Group, was accepted by the NMPA for adjuvant therapy after tumor resection in adult patients with NSCLC whose tumors have EGFR exon 19 deletions or exon 21 (L858R) mutations.

In August 2024, the fourth NDA of Ameile was accepted by the NMPA for the treatment of patients with locally advanced, unresectable NSCLC whose disease has not progressed following definitive platinum-based chemoradiotherapy whose tumors have EGFR exon 19 deletions or exon 21 (L858R) substitute mutations.

In August 2024, the Group entered into a license agreement with Lupeng Pharma, pursuant to which, the Group obtained an exclusive license from Lupeng Pharma to develop and commercialize a small molecule BTKi HS-10561 (collaborator code LP-168) within China (including Hong Kong, Macau and Taiwan).

# Corporate Overview

In August 2024, the Group's collaborator, GSK received FDA Breakthrough Therapy Designation for B7-H3-targeted ADC GSK5764227 (Company code HS-20093), which is used for the treatment of patients with ES-SCLC with disease progression (relapsed or refractory) on or after platinum-based chemotherapy. In December 2024, the product was designated as a Priority Medicine (PRIME) by the EMA and was evaluated for the treatment of patients with relapsed ES-SCLC.

In October 2024, phase Ⅲ registrational trial AENEAS2 evaluating Ameile in combination with chemotherapy as first line therapy for patients with locally advanced (Stage ⅢB~ⅢC) or metastatic (Stage IV) EGFR mutated NSCLC met its primary endpoint of progression-free survival (PFS). In November 2024, based on the above trial results, the fifth NDA of Ameile was accepted by the NMPA. The indication is to use Ameile in combination with pemetrexed and platinum-based chemotherapy drugs as the first-line treatment of adult patients with locally advanced or metastatic NSCLC whose tumors have EGFR exon 19 deletions or exon 21 (L858R) mutations.

In November 2024, the NMPA listed HS-20093 as a Breakthrough-Therapy-Designated Drug, with the proposed indication being ES-SCLC developed after standard first-line treatment (platinum doublet chemotherapy combined with immunotherapy).

In November 2024, the following four innovative drugs of the Group were renewed in the 2024 NRDL, including: Aumolertinib Mesilate Tablets (trade name: Ameile 阿美樂®), Flumatinib Mesylate Tablets (trade name: Hansoh Xinfu 豪森昕福®), Inebilizumab Injection (trade name: XINYUE 昕越®) and PEG-Loxenatide for Injection (trade name: Fulaimei 孚來美®). Additionally, the innovative drugs Pegmolesatide Injection (trade name: Saint Luolai 聖羅萊®) and Tenofovir Amibufenamide Tablets (trade name: Hengmu 恒沐®) were included in the 2023 NRDL and they are currently within the agreement period. Morinidazole Sodium Chloride for Injection (trade name: Mailingda 邁靈達®) has been included in category B of general list of the NRDL.

In December 2024, HS-20110 for injection, a new ADC self-developed by the Group, obtained a clinical trial approval issued by the NMPA, which was intended to be investigated in clinical trials for advanced solid tumors.

In December 2024, the Group entered into an exclusive global license agreement with a wholly-owned subsidiary of MSD, pursuant to which, the Group has granted MSD an exclusive global license to develop, manufacture and commercialize HS-10535, an investigational pre-clinical oral small molecule GLP-1 receptor agonist.

The Company continued to make improvements in ESG aspects. During the Reporting Period, the Company maintained an MSCI ESG rating of AA, was selected for inclusion in the *Sustainability Yearbook (Global Edition) 2025* published by S&P Global, and continued to rank first in the Chinese pharmaceutical industry in the S&P Global Corporate Sustainability Assessment (CSA). These developments not only indicate the Company's past achievements in the ESG field, but also represent our long-term commitment and strategic plan for sustainable development.

The Group's website: **www.hspharm.com**

# Chairlady's Statement

Over the past year, China's pharmaceutical industry has continued to evolve under the combined effects of policies, technology and demand.

Hansoh Pharma has always adhered to an innovation driven approach and has made substantial progress in drug R&D and operational excellence. During the Reporting Period, the scale of innovative product business grew steadily, revenue of innovative drugs and collaborative products amounted to approximately 9,477 million, and its proportion of total revenue was approximately 77.3%. We accelerated the transformation of differentiated R&D achievements and strengthened the pipeline development continuously. Our value leap through international licensing collaborations has further reinforced our strategic direction of focusing on the dual-drivers of innovation and internationalization.

In terms of sustainable development, we have deeply integrated ESG principles with the Company's long-term strategy. The Group has consistently maintained its AA rating in the MSCI ESG rating, and has achieved industry leading standards in five key issues, including corporate behavior, corporate governance, and inclusive healthcare. In the 2024 S&P Global Corporate Sustainability Assessment, we once again ranked first in the Chinese pharmaceutical industry.

In 2025, Hansoh Pharma will approach its 30th anniversary, and we will continue to deepen the value of pipeline collaboration, build the foundation for long-term business development, and benefit patients with more breakthrough and high-quality innovative drugs.

I would like to express my gratitude to our Shareholders, members of the Board, the management of our Group, all our staff, as well as our business partners.

**Zhong Huijuan**
*Chairlady and Chief Executive Officer*

# Management Discussion and Analysis

## INDUSTRY REVIEW

In 2024, China's pharmaceutical industry continued to transform, driven by the combined forces of policies, technological advancements and market demands. In the context of medical insurance payment reform and the normalization of centralized procurement, innovative drugs and biopharmaceuticals became the core driving force for the growth of China's pharmaceutical market. At the same time, the dynamic adjustment of the NRDL and the further acceleration of review and approval system accelerated the launch of high-value innovative drugs. Chinese pharmaceutical companies enhanced their internationalization process, significantly advanced their overseas clinical and commercial plans, and made breakthroughs in frontiers such as ADC and bispecific antibody. R&D activities in oncology, autoimmune and metabolic diseases remained unabated around the world. Chinese enterprises were at the forefront of the world in integrating AI technology with new therapies, injecting new momentum into industry innovation.

## BUSINESS HIGHLIGHTS

For the year ended December 31, 2024, the Group recorded revenue of approximately RMB12,261 million, representing an increase of approximately 21.3% compared with the corresponding period of the previous year; profit of approximately RMB4,372 million, representing an increase of approximately 33.4% compared with the corresponding period of the previous year; basic earnings per share of approximately RMB0.74, representing an increase of approximately 33.3% compared with the corresponding period of the previous year; revenue of innovative drugs and collaborative products amounted to approximately RMB9,477 million, and its proportion of total revenue increased to approximately 77.3%.

We generate our revenue primarily from sales of pharmaceutical products. Our main products are concentrated in the main therapeutic areas on which the Group strategically targets, including oncology, anti-infectives, CNS, metabolic and other diseases. The increase in revenue, profit and basic earnings per share during the Reporting Period was primarily due to the increase in the revenue of innovative drugs and collaborative products, which was attributable to the increase in sales of innovative drugs and the collaboration revenue with GSK. For further details of the collaborations with GSK, please refer to the sub-heading headed "BD" below.

For the year ended December 31, 2024, the revenue and product portfolio of our therapeutic areas are as follows:

## BUSINESS HIGHLIGHTS *(Continued)*

| Therapeutic Area | Product Portfolio |
|---|---|
| **Oncology**<br>(revenue amounted to approximately RMB8,122 million, accounting for approximately 66.2% of the total revenue) | Innovative drug Ameile (Aumolertinib Mesilate Tablets), innovative drug Hansoh Xinfu (Flumatinib Mesylate Tablets), Pulaile (Pemetrexed Disodium for Injection), Pulaitan (Enzalutamide Soft Capsules), Xinwei (Imatinib Mesylate Tablets) and Tanneng (Fosaprepitant Dimeglumine for Injection), etc. |
| **Anti-infectives**<br>(revenue amounted to approximately RMB1,464 million, accounting for approximately 11.9% of the total revenue) | Innovative drug Hengmu (Tenofovir Amibufenamide Tablets), innovative drug Mailingda (Morinidazole Sodium Chloride for Injection) and Hengsen (Micafungin Sodium for Injection), etc. |
| **CNS**<br>(revenue amounted to approximately RMB1,379 million, accounting for approximately 11.3% of the total revenue) | Innovative drug XINYUE (Inebilizumab Injection), Ameining (Agomelatine Tablets), Ailanning (Paliperidone Extended-Release Tablets) and Oulanning (Olanzapine Tablets/Orally Disintegrating Tablets/Oral Soluble Film), etc. |
| **Metabolic and other diseases**<br>(revenue amounted to approximately RMB1,296 million, accounting for approximately 10.6% of the total revenue) | Innovative drug Fulaimei (PEG-Loxenatide for Injection), innovative drug Saint Luolai (Pegmolesatide Injection), Ruibote (Sodium Rabeprazole Enteric-coated Tablets), Fulaidi (Repaglinide Tablets), Fulairui (Canagliflozin Tablets) and Punuoan (Ambrisentan Tablets), etc. |

All approved indications of the Group's innovative drugs have been included in the NRDL as of December 31, 2024.

## BUSINESS HIGHLIGHTS *(Continued)*

### Ameile (阿美樂®)

Ameile (Aumolertinib Mesilate Tablets) is the first original third-generation EGFR-TKI innovative drug in China self-developed by the Group. It has been approved for three indications in China, namely: in March 2020, it was approved for the treatment of patients with locally advanced or metastatic NSCLC with T790M mutation, who have progressed on or after EGFR-TKI therapy; in December 2021, it was approved as the first-line treatment for adult patients with locally advanced or metastatic NSCLC whose tumors have EGFR exon 19 deletions or exon 21 (L858R) substitute mutation positive; in March 2025, it was approved for the treatment of patients with locally advanced, unresectable NSCLC whose disease has not progressed following definitive platinum-based chemoradiotherapy whose tumors have EGFR exon 19 deletions or exon 21 (L858R) substitute mutations. Among them, the first two indications were successfully renewed in November 2024 for inclusion in the 2024 NRDL.

During the Reporting Period, more than 30 academic findings of Ameile were presented at authoritative conferences, including the Annual Meeting of ASCO, ELCC, WCLC and Annual Meeting of CSCO, of which the findings from the ACHIEVE research that assess the efficacy and safety of using high dosage of Aumolertinib in the treatment for patients with NSCLC whose tumors are EGFR positive with brain metastatis and the phase Ⅲ POLESTAR research on the use of Aumolertinib in maintenance therapy of Stage Ⅲ NSCLC after definitive platinum-based chemoradiotherapy were selected respectively for verbal presentations at ASCO and WCLC. Further, the results of a real-world retrospective study was published for the first time in *Frontiers in Pharmacology*, an internationally renowned pharmacology journal.

Ameile has been recommended as Class I or Preferred by eight national diagnosis and treatment guidelines, including the *CSCO Guidelines for the treatment of Non-small Cell Lung Cancer (2024 edition)** (《CSCO非小細胞肺癌診療指南(2024版)》). In November 2024, the Ameile project won the first prize of Jiangsu Science and Technology Award. The invention patent titled "EGFR Inhibitor and its Preparation and Application" of Ameile also won the 24th "China Patent Gold Award". The Group continued to advance the regulatory review process for Aumolertinib marketing authorization applications by the Medicines and Healthcare Products Regulatory Agency in the United Kingdom and the EMA.

## BUSINESS HIGHLIGHTS *(Continued)*

### Hansoh Xinfu (豪森昕福®)

Hansoh Xinfu (Flumatinib Mesylate Tablets) is the first original novel second-generation TKI for chronic myelogenous leukemia in China, which was approved for marketing in 2019. It was included in the NRDL through negotiations in 2020 and was successfully renewed in November 2024 for inclusion in the 2024 NRDL. Hansoh Xinfu is used in the treatment of chronic myelogenous leukemia. Based on the results of existing clinical trials, when compared with the first-generation TKI imatinib, Hansoh Xinfu achieved faster and deeper molecular remission (e.g. MMR, MR4.5). It also has favorable safety profile, with no specific adverse reactions (such as pleural effusion or cardiotoxicity) relating to the use of other second-generation Bcr-Abl TKI treatments being found, and has been adopted for long-term application by an increasing number of patients. Hansoh Xinfu has been recommended as the first-line treatment for chronic myelogenous leukemia in the *Guidelines for Diagnosis and Treatment of Chronic Myelogenous Leukemia** (《慢性髓性白血病診斷與治療指南》) released by NHC and the *Guidelines for Diagnosis and Treatment of Malignant Hematologic Diseases* *(《惡性血液病診療指南》).

During the Reporting Period, several clinical studies of Hansoh Xinfu were presented at authoritative conferences such as the Annual John Goldman Conference on Chronic Myeloid Leukemia (ESHCML), the ESMO Congress Annual Meeting and the American Society of Hematology (ASH) Annual Meeting.

### XINYUE (昕越®)

XINYUE (Inebilizumab Injection) is a targeted CD19 B-cell depleting antibody and the world's first humanized CD19 monoclonal antibody approved for the treatment of adult patients with AQP4 antibody-positive NMOSD. On May 24, 2019, the Group entered into a license agreement with Viela Bio Inc. (which was acquired by Horizon Therapeutics plc in 2021, and the latter was acquired by Amgen in 2023) to obtain an exclusive license to develop and commercialize the product in Chinese Mainland, Hong Kong and Macau. On March 14, 2022, the product was approved by the NMPA for marketing in China and is indicated for the treatment of adult NMOSD patients who are AQP4 antibody positive. In January 2023, the product was included in the NRDL for the first time, and was successfully renewed in November 2024 for inclusion in the 2024 NRDL.

In June 2024, collaborator Amgen announced that the MITIGATE top-line results of the randomized, double-blind, multi-center, placebo-controlled phase Ⅲ clinical trial showed that inebilizumab injection for the treatment of IgG4-RD reached the primary clinical endpoint, which has been published in the *New England Journal of Medicine*. In August 2024, the FDA granted inebilizumab a Breakthrough Therapy Designation for the treatment of IgG4-RD.

In February 2025, based on the positive results of the global multicenter phase III clinical trial, the new indication of XINYUE for the treatment of IgG4-RD has been included in the Priority Review and Approval Procedure by the NMPA. In March 2025, Biologics License Application (BLA) of this indication was accepted by the NMPA.

During the Reporting Period, more than 20 academic research findings of XINYUE have been published at top domestic and international academic conferences such as the European Committee for Treatment and Research in Multiple Sclerosis (ECTRIMS), the American Academy of Neurology (AAN), and the Chinese Medical Association Neurology Conference. Currently, XINYUE has been included in the *Guidelines for the Diagnosis and Treatment of Neuromyelitis Optica Spectrum Disorders in China (2021 Edition)** (《中國視神經脊髓炎譜系疾病診斷與治療指南(2021年版)》) and has received a Class A recommendation. In March 2024, the *Expert Recommendations on Clinical Practice of Inebilizumab for the Treatment of Neuromyelitis Optica Spectrum Disorders** (《伊奈利珠單抗治療視神經脊髓炎譜系疾病臨床實踐專家建議》) was released in Shanghai.

## BUSINESS HIGHLIGHTS *(Continued)*

### Fulaimei (孚來美®)

Fulaimei (PEG-Loxenatide for Injection) is the first innovative drug launched leveraging on the Group's proprietary PEGylation technology. It is the first original GLP-1RA weekly formulation in China and the world's first PEG GLP-1RA weekly formulation, which was approved for marketing in May 2019 for the treatment of type 2 diabetes mellitus. Fulaimei provides a new treatment option for diabetic patients in China, with clear efficacy in lowering blood glucose, combined with weight loss, improvement of blood lipids and blood pressure, and renal benefits, with a high degree of safety, and requiring only one injection per week. Fulaimei has been included in the *Guidelines for the Prevention and Treatment of Diabetes Mellitus in China (2024 edition)** (《中國糖尿病防治指南(2024版)》) released by the Chinese Diabetes Society (CDS). Fulaimei was first included in the NRDL in 2020 through negotiation, and was successfully renewed in November 2024 for inclusion in the 2024 NRDL.

In July 2024, the results of the randomized clinical study of Fulaimei in the treatment of patients with DKD were published in *Frontiers in Endocrinology*. The data shows that the efficacy of Fulaimei is comparable to that of Dapagliflozin, and is more advantageous in improving lipid levels.

In August 2024, the results of a real-world study on GLP-1RA in patients with DKD were published in *Diabetes, Metabolic Syndrome and Obesity*. The research results once again confirmed that Fulaimei can bring multiple benefits to patients with mild to moderate DKD, such as lowering blood sugar, lowering blood pressure, losing weight, improving blood lipids and delaying kidney progression, and has more advantages in safety than other GLP-1RAs, which will help improve patients' quality of life and increase compliance.

In February 2025, the results of a large-scale multicenter bidirectional cohort real-world study were published in *MedComm*(IF:10.7), which demonstrated that long-term treatment with Fulaimei significantly reduces the risk of major adverse cardiovascular events in patients with type 2 diabetes mellitus, conferring notable cardiovascular benefits.

## BUSINESS HIGHLIGHTS *(Continued)*

### Hengmu (恒沐®)

Hengmu (Tenofovir Amibufenamide Tablets) is a novel nucleotide reverse transcriptase inhibitor (NRTI) self-developed by the Group, which is the first wholly developed oral dose medicine indicated for the treatment of hepatitis B virus infection in China. Hengmu was approved for marketing by the NMPA in June 2021 for the treatment of adult patients with chronic hepatitis B. Hengmu was included in the NRDL in the same year, and successfully renewed in December 2023, and currently within the term of the agreement.

The 48-week, 96-week and 144-week follow-up data of the phase Ⅲ registration clinical study of Hengmu have been published in several academic journals and international conferences. The results of the study strongly confirmed the efficacy and safety of Hengmu in the long-term treatment of patients with chronic hepatitis B. Specifically, in terms of bone and renal safety, Hengmu has more advantages over tenofovir disoproxil fumarate (TDF).

During the Reporting Period, a number of clinical studies of Hengmu were presented at top international academic conferences in the field of hepatology, including the Asian Pacific Association for the Study of the Liver (APASL) Annual Meeting, the European Association for the Study of the Liver (EASL) Annual Meeting and the American Association for the Study of Liver Diseases (AASLD) Annual Meeting, and were published in domestic and international journals such as *Journal of Viral Hepatitis*, *Journal of Clinical and Translational Hepatology* and *Chinese Journal of Hepatology ** (《中華肝臟病雜誌》).

Hengmu has been included in the *Guidelines for the Prevention and Treatment of Chronic Hepatitis B (2022 Version) ** (《慢性乙型肝炎防治指南(2022年版)》) as one of the first-line recommendation of antiviral therapy for chronic hepatitis B in February 2023, and has also been included in the *CSCO: Guidelines for the Diagnosis and Treatment of Hepatocellular Carcinoma, 2022 ** (《中國臨床腫瘤學會肝癌診療指南(2022年版)》) as Class I recommendation. In April 2024, Hengmu has received a Class A in the *Diagnosis and Treatment Guidelines for Primary Liver Cancer (2024 Edition) ** (《原發性肝癌診療指南(2024年版)》) issued by the NHC. In October 2024, Hengmu has received a Class A2 recommendation in the *Guidelines for the Diagnosis and Treatment of Liver Failure (2024 Edition) ** (《肝衰竭診治指南(2024年版)》) issued by the Chinese Society of Infectious Diseases under the Chinese Medical Association.

## BUSINESS HIGHLIGHTS *(Continued)*

### Saint Luolai (聖羅萊®)

Saint Luolai (Pegmolesatide Injection), is the "only EPO mimetic peptide approved for marketing in the world" self-developed by the Group. In June 2023, Saint Luolai was approved for two indications to treat anemia in CKD adult patients who have not received ESA and are not on dialysis, as well as those who are receiving short-acting erythropoietin treatment and on dialysis. In the same year, Saint Luolai was included in the NRDL for the first time, and currently within the term of the agreement.

Saint Luolai has a high selectivity EPOR. It effectively binds to EPOR homodimers, promoting erythropoiesis, and exhibits comparable erythropoietic effects to traditional ESA but demonstrates lower binding to non-erythropoietic heterodimers (EPOR/CD131), which may offer potential safety advantages. The data of the phase Ⅲ pivotal registrational clinical trial of Saint Luolai (published in *eClinical Medicine*, a subset of *The Lancet* in 2023) demonstrated that, subcutaneous injection of Saint Luolai once a month is as effective and safe as fast-acting recombinant human erythropoietin (rHuEPO) conventionally administered 1 to 3 times a week in treating anemia in Chinese dialysis patients. It even shows a trend of superiority and a lower incidence of adverse cardiovascular events. Latest studies found that the mechanism bringing about Pegmolesatide's prolonged anti-anemia effects not only results from higher pharmacokinetic half-life due to PEGylation, but is also related to Pegmolesatide's enhanced EPOR binding stability.

As of the date of this announcement, various research results of Saint Luolai have been published in top-tier journals or medical conferences, including *Journal of Translational Medicine, Kidney International Reports, Kidney Medicine*, the International Society for Pharmacoeconomics and Outcomes Research (ISPOR) conferences, the American Society of Nephrology Kidney Week (ASN Kindey Week) Annual Meeting, the International Society of Nephrology (ISN) and the World Congress of Nephrology (WCN), involving the Saint Luolai's mechanism of action, phase Ⅲ clinical studies, case reports and pharmacoeconomic studies, etc.

In February 2024, Saint Luolai was included for the first time in the *Chinese Expert Consensus on Long-acting Erythropoiesis-stimulating Agents in the Treatment of Renal Anemia (2024)* * (《長效紅細胞生成刺激劑治療腎性貧血中國專家共識(2024年版)》). In January 2025, Saint Luolai was included in the *Chinese Expert Consensus on Guiding Self-management of Patients with Renal Anemia (2024)* * (《指導腎性貧血患者自我管理的中國專家共識(2024版)》).

### Mailingda (邁靈達®)

Mailingda (Morinidazole Sodium Chloride for Injection), the Group's first self-developed innovative drug, was included in the NRDL through negotiations in 2017 and was renewed in November 2019. It was renewed with zero-price cut in December 2021. Mailingda was successfully renewed again and included in category B of general list of the NRDL in December 2023. Mailingda is the new generation of nitroimidazole-class drug indicated for treatment of pelvic inflammatory disease in women, as well as combined surgery for the treatment of suppurative appendicitis and gangrenous appendicitis. It has a better safety profile than the previous generation of typical drug named ornidazole. Mailingda is recommended for the treatment of intra-abdominal infection in the *Chinese Guideline for the Diagnosis and Treatment of Intra-abdominal Infection (2019 Edition)** (《中國腹腔感染診治指南(2019 版)》).

# Management Discussion and Analysis

## R&D AND INNOVATION

Innovation focus is the core driving force of our Company's growth. The Group continuously increased its investments in R&D over the years, built complete R&D platforms, established a number of proprietary technologies, developed and commercialized a number of innovative drug products, as well as prepared a series of innovative drugs pipeline which are currently at different stages of R&D. Our seasoned R&D team consists of more than 1,800 research fellows at four R&D centres located in Shanghai, Lianyungang, Changzhou and Maryland, United States. We have several national-level R&D designations, including the National Technology Center* (國家級技術中心), Post-doctoral Research Station* (博士後科研工作站) and Key National Laboratory* (國家重點實驗室).

During the year ended December 31, 2024, we submitted 57 formal patent applications in China and we have 48 patents granted in China; we submitted 222 formal overseas patent applications and we have 42 patents granted overseas.

### R&D pipeline update

During the year ended December 31, 2024, the Group had more than 60 clinical trials of innovative drug candidates being investigated, covering 40 innovative drug candidates.

During the Reporting Period, we had 8 new innovative drug candidates entering clinical stage, (including 2 in-licensing drug candidates), among which, the self-developed drug candidates include: HS-10504, a fourth-generation small molecule drug targeted EGFR (advanced NSCLC); HS-10501, an oral small molecule drug targeted GLP-1 (obesity and type 2 diabetes); HS-20124, CDH6 targeted ADC (advanced solid tumors); and HS-20110, CDH17 targeted ADC (advanced solid tumors).

During the Reporting Period, three key innovative drug candidates entered the phase Ⅲ clinical stage for the first time, including: HS-20093, a self-developed B7-H3-targeted ADC (small cell lung cancer); HS-20094, a self-developed GLP-1/GIP receptor dual agonist (obesity); and HS-10374, a self-developed small molecule inhibitor TYK2 (psoriasis).

## R&D AND INNOVATION *(Continued)*

### R&D progress of key products

#### *Ameile (阿美樂®)*

Ameile, the Group's launched innovative drug product, is continuously expanding its indications and increasing its evidence from evidence-based medicine. During the Reporting Period, the NDAs for a total of three new indications were accepted by the NMPA as follows:

In July 2024, the adjuvant therapy after tumor resection in adult patients with NSCLC whose tumors have EGFR exon 19 deletions or exon 21 (L858R) mutations was accepted;

In August 2024, the treatment of patients with locally advanced, unresectable NSCLC whose disease has not progressed following definitive platinum-based chemoradiotherapy whose tumors have EGFR exon 19 deletions or exon 21 (L858R) substitute mutations was accepted;

In November 2024, Ameile in combination with pemetrexed and platinum-based chemotherapy drugs as the first-line treatment of adult patients with locally advanced or metastatic NSCLC whose tumors have EGFR exon 19 deletions or exon 21 (L858R) mutations was accepted.

The clinical study of Ameile in combination with the Company's self-developed c-MET small molecule, HS-10241, has also entered the phase Ⅲ pivotal registration clinical trial. It is intended to be used for the treatment of patients with locally advanced or metastatic NSCLC with EGFR mutation and MET amplification who have failed EGFR-TKI therapy.

#### *HS-20093*

HS-20093, a B7-H3-targeted ADC self-developed by the Group, is composed of a fully human anti-B7-H3 monoclonal antibody covalently linked to topoisomerase inhibitor (TOPOi) payload. Currently, HS-20093 has entered the phase Ⅲ clinical study for the treatment of small cell lung cancer indication in China, and is also undergoing several proofs of concept (POC) clinical studies for the treatment of sarcoma, head and neck cancer, castrate-resistant prostate cancer, esophageal squamous cell carcinoma and other solid tumors.

At the Annual Meeting of the ASCO 2024, a multicenter, open-label phase Ⅱ study of HS-20093 in relapsed or refractory bone and soft-tissue sarcomas (study code ARTEMIS-002) was released as an oral presentation, with preliminary data demonstrating that HS-20093, in patients with relapsed or refractory bone and soft-tissue sarcomas who have been adequately treated in the past, has demonstrated strong anti-tumor activity, and was well tolerated for safety. At the WCLC Annual Meeting in September 2024, a multi-center, open-label phase I study (study code ARTEMIS-001) of HS-20093 in ES-SCLC patients was presented. The results showed that HS-20093 had a good anti-tumor effect in ES-SCLC and no new safety signals were found.

In November 2024, the NMPA listed HS-20093 as a Breakthrough-Therapy-Designated Drug, with the proposed indication being ES-SCLC that developed after standard first-line treatment (platinum doublet chemotherapy combined with immuno-therapy). In February 2025, the NMPA listed HS-20093 as a Breakthrough-Therapy-Designated Drug again, with the proposed indication for the treatment of patients with osteosarcoma who have progressed on at least two prior lines of therapy.

## R&D AND INNOVATION *(Continued)*

### R&D progress of key products *(Continued)*

#### *HS-20094*

HS-20094 is a dual agonist of GLP-1/GIP receptor self-developed by the Group. By selectively activating GLP-1 and GIP receptors, it promotes insulin secretion, delays gastric emptying, inhibits appetite and reduces food intake, thereby producing biological effects such as glucose control, weight loss, and metabolic improvement. In 2024, HS-20094 has entered into a phase Ⅲ clinical study on weight management in overweight adult patients with obesity or at least one weight-related comorbidity.

The phase Ⅱa study results of HS-20094 presented at the 2024 American Diabetes Association (ADA) Annual Meeting demonstrated that HS-20094 had good safety and tolerance characteristics in subjects with type 2 diabetes mellitus, and showed the efficacy of reducing glucose and weight.

#### *HS-10374*

HS-10374 is a selective allosteric inhibitor of TYK2 self-developed by the Group. In 2024, the indication of HS-10374 for the treatment of psoriasis has entered into phase Ⅲ clinical study. According to the phase Ⅱ clinical study data of HS-10374 in patients with moderate to severe plaque psoriasis presented at the Annual Meeting of 2024 European Academy of Dermatology and Venereology (EADV) and Chinese Medical Doctor Association Dermatologists Annual Meeting & National Cosmetic Dermatology Congress (CDA)* (中國醫師協會皮膚科醫師年會暨全國美容皮膚科學大會), HS-10374 has significant efficacy, and its overall safety is similar to other TYK2 inhibitors, with a lower risk of skin toxicity.

#### *HS-10506*

HS-10506 is a high-affinity selective orexin 2 receptor (OX2R) antagonist self-developed by the Group. According to the results of phase I clinical study presented at the 2024 European College of Neuropsychopharmacology (ECNP) Congress, after a single oral administration, HS-10506 showed good safety and tolerability, had relatively good PK properties, and produced the expected pharmacodynamic (sleepiness) effects. Overall, the study data supported further clinical development of HS-10506 for the treatment of insomnia.

#### *HS-10383*

HS-10383 is a highly selective P2X3 receptor antagonist self-developed by the Group, which is intended for the treatment of refractory or unexplained chronic cough (RUCC). According to the phase Ib study results presented at the Congress of the Asian Pacific Society of Respirology (APSR) 2024, HS-10383 was generally well tolerated with a long half-life, supporting once-daily oral administration. In addition, there were no adverse events related to dysgeusia.

#### *HS-10370*

HS-10370 is an orally potent and highly selective small molecule KRAS G12C inhibitor self-developed by the Group. According to the results of a phase I monotherapy clinical study of HS-10370 in advanced solid tumors presented at the 2024 American Association for Cancer Research (AACR) Annual Meeting, HS-10370 has shown favorable safety and tolerability characteristics in the treatment of patients with advanced solid tumors, and demonstrated promising efficacy in the treatment of KRAS G12C mutation advanced solid tumors, especially in advanced NSCLC patients, and is expected to bring new treatment options for patients.

# Management Discussion and Analysis

## BD

As an important part of our routine business, the Group pays close attention to the cutting-edge developments of the global pharmaceutical industry, proactively seizes collaboration opportunities in BD and constantly explores opportunities to enrich the innovative product pipeline. As of the end of the Reporting Period, the Company is advancing nine in-licensing programs for clinical trials, and has another two in-licensing programs in commercialization stage, as well as several platform or technology collaboration projects. At the same time, the Group maximized the commercial value of its self-owned pipeline products and actively promoted out-licensing during the Reporting Period.

For the year ended December 31, 2024, the Group incurred license fees due to in-licensing programs amounting to approximately RMB247 million with such fees being included in research and development expenses. The Group's collaboration income amounted to RMB1,573 million, which included the upfront payment of US$185 million of collaboration BD license fee received from collaborator GSK pursuant to the license agreement entered into between the Group and GSK on December 20, 2023. For details of our collaboration with GSK, please refer to our announcements dated October 20, 2023, December 20, 2023, August 20, 2024, November 1, 2024, December 16, 2024 and January 7, 2025.

### Progress of In-licensing and Collaboration Programs

#### *Further Collaboration with Biotheus*

In March 2024, the Group entered into a licensing agreement with Biotheus and obtained an exclusive license from Biotheus to use bispecific antibodies targeting EGFR/c-MET, including HS-20117, for the development, production and commercialization of ADC products globally, with the right to further sub-license.

HS-20117 is a 1+1 heterodimer-structured EGFR/c-MET bispecific antibody that specifically targets the tumor antigens EGFR and c-MET to inhibit the growth and survival of tumor. It is currently in phase I clinical research as monotherapy and in combination with other drugs.

#### *Collaboration with Qyuns*

In April 2024, the Group entered into a licensing agreement with Qyuns and obtained an exclusive license from Qyuns to develop and commercialize HS-20137 monoclonal antibody in China (including Hong Kong, Macau and Taiwan) (collaborator code QX004N).

HS-20137 monoclonal antibody is an innovative drug candidate for psoriasis and Crohn's disease. Currently, a number of clinical studies have been initiated for HS-20137, and phase II clinical trials for psoriasis have been completed in China.

The phase I clinical data of QX004N on Chinese healthy subjects and moderate-to-severe plaque psoriasis patients published in *JAMA Dermatology* by Qyuns showed that when compared with placebo, QX004N demonstrated superior therapeutic effect in patients with moderate-to-severe plaque psoriasis, and has favorable safety profile.

## BD *(Continued)*

### Progress of In-licensing and Collaboration Programs *(Continued)*

#### *Collaboration with Lupeng Pharma*

In August 2024, the Group entered into a licensing agreement with Lupeng Pharma and obtained an exclusive license from Lupeng Pharma to develop and commercialize HS-10561 (collaborator code LP-168) in China (including Hong Kong, Macau and Taiwan). The Group is responsible for the research and development, regulatory approval, manufacturing and commercialization of this product in all non-oncology indications in China.

HS-10561 is a small molecule BTKi. In February 2025, HS-10561 capsules received a drug clinical trial approval issued by the NMPA, which is intended to be investigated in clinical trials for chronic spontaneous urticaria.

#### *Progress of Xpovio® (Selinexor)*

Xpovio® (Selinexor) is the world's first oral selective nuclear export protein (XPO1) inhibitor with a novel mechanism. In August 2023, our Group entered into a collaboration agreement with Antengene Corporation (Hong Kong) Limited and Antengene (Zhejiang) Pharmaceutical Technology Company Limited* (德琪(浙江)醫藥科技有限公司), both subsidiaries of Antengene Corporation Limited, and obtained an exclusive commercialization license for Xpovio® in Chinese Mainland. Following its first approval for the treatment of relapsed or refractory multiple myeloma (R/R MM), in July 2024, Xpovio® was approved for a second indication in China for the treatment of adult patients with relapsed or refractory diffuse large B-cell lymphoma (R/R DLBCL) who have previously received at least second-line systemic treatment. Both of the above indications have been included in the 2024 NRDL.

#### *Progress of HS-10516*

HS-10516 (collaborator code NKT2152) is a small molecule drug that inhibits HIF-2α. In May 2022, the Group obtained an exclusive license from Nikang Therapeutics Inc. to develop and commercialize HS-10516 for the treatment of tumors in China (including Hong Kong, Macau and Taiwan). In June 2024, following the indication for renal cell carcinoma, HS-10516 capsules received the second drug clinical trial approval issued by the NMPA indicated for the treatment of von Hippel-Lindau (VHL) syndrome-related tumors.

**BD** *(Continued)*

## Progress of Out-licensing Projects

### *HS-20093 (GSK)*

HS-20093 is a B7-H3 targeting ADC self-developed by the Group. In December 2023, the Group entered into an exclusive global licensing agreement with GSK, and GSK was granted an exclusive global license to develop, manufacture and commercialize HS-20093 (collaborator code GSK5764227). Pursuant to the licensing agreement, the Group will receive an upfront payment of US$185 million and is eligible to receive up to US$1.525 billion of milestone payments, as well as tiered royalties based on product sales. During the Reporting Period, the Group has received the upfront payment of US$185 million from its collaborator GSK.

Currently, GSK has initiated the clinical studies of GSK5764227 overseas. In 2024, GSK received two FDA Breakthrough Therapy Designations (BTD) and one EMA Priority Medicines (PRIME) designation, for GSK5764227.

### *HS-20089 (GSK)*

HS-20089 is a B7-H4 targeting ADC self-developed by the Group. In October 2023, the Group entered into an exclusive global licensing agreement with GSK, pursuant to which, an exclusive global license was granted to GSK to develop and commercialize HS-20089 (collaborator code GSK5733584).

During the Reporting Period, GSK has initiated the clinical studies of GSK5733584 overseas.

### *HS-10535 (MSD)*

In December 2024, our Group entered into an exclusive global licensing agreement with MSD, pursuant to which, MSD was granted an exclusive global license to develop, manufacture and commercialize HS-10535, a pre-clinical oral small molecule GLP-1 receptor agonist. The Group will receive an upfront payment of US$112 million and is eligible to receive up to US$1.9 billion of milestone payments based on the progress of the product's development, regulatory approval and commercialization, as well as royalties based on product sales. Subject to certain conditions in the licensing agreement, the Group may co-promote or solely commercialize the product in Chinese Mainland, Hong Kong and Macau.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

Adhering to our core values of "responsibility, integrity, hard work and innovation", the Group has in the long term been committed to improving the accessibility of innovative drugs in the areas of unfulfilled clinical needs. During the Reporting Period, we have achieved remarkable results in various aspects such as innovative achievements, strengthening of governance, green development, talent cultivation and inclusive healthcare, laying a solid foundation for the Company's long-term development. We are continuously improving the disclosures of our governance, strategy, risk management, metrics and targets on key ESG issues in response to stakeholders' concerns and striving towards a higher level of ESG management to lower operating risks.

In 2024, the Company's Board of Directors continued to perform its supervisory duties and, through the ESG Committee, regularly reviewed risk prevention strategies and systems, ESG strategies and emerging risks, as well as key performance indicators that reflect the comprehensive improvement of ESG results, and responded to identified hidden hazards or potential risks with forward-looking actions.

In response to global climate change and safeguarding human health, during the Reporting Period, we continued to conduct systematic inspections and third-party verification of Scope 1, Scope 2 and Scope 3 greenhouse gases, and steadily move towards the long-term goal of carbon neutrality by optimizing technical processes and improving energy and material usage efficiency.

During the Reporting Period, the Group maintained an AA rating in the MSCI ESG rating and achieved industry leading standards in five key issues including corporate behavior, as well as toxic emissions and waste. The Group once again ranked first in the Chinese pharmaceutical industry in the 2024 S&P Global Corporate Sustainability Assessment (CSA) and was selected for inclusion in the *Sustainability Yearbook (Global Edition) 2025* published by S&P. In addition, we also won awards, such as the 2024 ESG Pioneer Award of Cailian Press and the HRoot 2024 Outstanding Employer Award.

We actively respond to the Sustainable Development Goals of the United Nations, closely linking ESG management to the Company's long-term strategies, and better cope with global challenges by focusing on ESG issues. We are committed to sharing good practices with our industry partners and supply chains, striving to enable more patients to benefit from green innovations. This is not only conducive to natural environment protection and social welfare, but also beneficial to creating a more stable and sustainable business environment, realizing coordinated economic, social and environmental development. We will continue to adhere to the philosophy of being "patient-centered and innovation-driven" and actively contribute our efforts as a responsible corporate citizen.

# Management Discussion and Analysis

## LIQUIDITY AND FINANCIAL RESOURCES

Currently, the Group follows a set of funding and treasury policies to manage its capital resources and mitigate potential risks. The Board considers various funding sources depending on the Group's funding needs to ensure that the financial resources have been used in the most cost-effective and efficient way. We also closely monitor uses of cash resources and strive to maintain healthy liquidity for the needs of our business operations.

For the year ended December 31, 2024, the Group's operating activities generated a net cash inflow of RMB3,862 million. The capital expenditure during the Reporting Period was RMB473 million, mainly relating to the purchases of land use rights, the construction of workshops, as well as, among other things, the purchase of equipment, motor vehicles and software required for production, R&D and administrative activities, etc. The cash flow of financing activities for the Reporting Period mainly consisted of the redemption of the outstanding convertible bonds in the aggregate principal amount of US$590,622,000, and the payment for dividends of RMB1,858 million.

The Group's financial position remains sound. As at December 31, 2024, we had cash and bank balances of RMB22,622 million (as at December 31, 2023: RMB22,435 million), current financial assets at fair value through profit or loss of RMB17 million (as at December 31, 2023: RMB512 million), other financial assets of RMB747 million (as at December 31, 2023: RMB1,910 million). As at December 31, 2024, our current financial assets at fair value through profit or loss and other financial assets primarily comprised financial products issued by commercial banks. As each of the financial products was subscribed with different banks under different terms and are of different nature and none of the financial products exceeds 5% of the applicable percentage ratios on a standalone basis, the Group's purchase of financial products during the year ended December 31, 2024 does not constitute notifiable transactions of the Company under the Listing Rules. As at December 31, 2024, the Group's gearing ratio (calculated as total liabilities divided by total assets) was approximately 9.4% (as at December 31, 2023: 21.9%). After reviewing the Group's profitability, working capital and capital expenditure requirements, the Board is of the view that the Group has no significant liquidity risk and has sufficient working capital.

Most of the Group's assets and liabilities are denominated in Renminbi and United States Dollars. The Group manages its foreign exchange risk by closely monitoring its net foreign exchange exposure to reduce the impact of foreign exchange fluctuations.

## PLEDGE OF GROUP ASSETS

As at December 31, 2024, none of the Group's assets was subject to any encumbrance, mortgage, lien, charge or pledge.

# Management Discussion and Analysis

## CONTINGENT LIABILITIES

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

## SIGNIFICANT INVESTMENTS HELD

During the Reporting Period, the Group did not have any significant investments.

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at December 31, 2024, the Group did not have any plans for material investments and capital assets.

## MATERIAL ACQUISITIONS AND DISPOSALS

During the Reporting Period, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures.

# Management Discussion and Analysis

## EMPLOYEES AND EMOLUMENTS POLICY

As at December 31, 2024, the Group had a total of 8,989 full-time employees, whose remuneration is determined based on their performance and experience as well as the prevailing market salary levels.

The staff costs, including remuneration of the executive Directors, social welfare and other benefits, were approximately RMB3,328 million for the year ended December 31, 2024. We also provided regular training to employees designed to strengthen staff commitment to us and improve staff knowledge in a number of important areas of our services, such as knowledge about the Company and our products as well as sales, laws and regulations applicable to our operation, requirements under applicable GMP or other certifications, quality control, production safety and corporate culture.

The Company has conditionally approved and adopted the RSU Scheme on May 27, 2019 to recognize contributions by selected participants and give incentives thereto in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. Participants may include employees of the Group (such as director, chief executive officer, vice president, financial controller, company secretary, members of senior management or key technical personnel) as well as any other person selected by the Board at its sole discretion from time to time (subject to compliance with the applicable Listing Rules).

On April 19, 2024, pursuant to the terms of the RSU Scheme, the Company allotted and issued 2,300,000 new ordinary shares (aggregate nominal value: HK$23) to RSU Trustee, holding such shares for the benefit of the participants of the RSU Scheme, with the issue price per share of HK$2.6 as measured by the Company, which was arrived at after taking into consideration the number of shares currently held by the RSU Trustee and the purchase prices of the RSUs at the time of measurement, and the closing price per share of the Company immediately preceding business day of the issuance is HK$15.66. For the year ended December 31, 2024, the RSU Trustee was instructed by the Company to purchase an aggregate of 3,000,000 shares from the open market. The RSU Trustee shall hold such shares for the benefit of selected participants. As at December 31, 2024, a balance of 1,315,065 shares of the Company was held by the RSU Trustee for the RSU Scheme. For details of the RSU Scheme, please refer to the section headed "Statutory and General Information – D. Post-IPO RSU Scheme" in Appendix IV to the prospectus of the Company dated May 31, 2019.

During the Reporting Period, RSUs representing an aggregate of 11,397,590 shares of the Company had been granted by the Company pursuant to the RSU Scheme. Among the grants during the Reporting Period (the details of the grants are set out in the announcement of the Company dated June 27, 2024), all RSUs granted to Ms. Sun Yuan (representing 1,300,000 shares of the Company granted) and Dr. Lyu Aifeng (representing 291,850 shares of the Company granted), both being executive Directors of the Company, only involve the existing shares of the Company held or to be held by the RSU Trustee, and no new shares were or will be allotted or issued by the Company for the vesting of such RSUs. According to directors' services contracts with the Company, the RSUs granted to them form part of their remuneration package and are therefore exempted from the reporting, announcement and independent shareholders' approval requirements under Rules 14A.73(6) and 14A.95 of the Listing Rules.

## PRINCIPAL RISKS AND UNCERTAINTIES

The Company has identified the following principal risks and uncertainties that may have a significant impact on our operations, financial condition, and business plans. The management has conducted a comprehensive assessment of various risks and developed corresponding mitigation measures to reduce their potential impact. In addition to the risks described below, there may still be unknown or currently insignificant factors that may transform into significant risks in the future. The Group will continue to monitor and dynamically adjust its response strategies.

## PRINCIPAL RISKS AND UNCERTAINTIES *(Continued)*

### Principal risks and uncertainties related to the industry

#### *Industry competition and technological change*

The industry in which the Company operates is highly competitive. If the Company fails to keep up with changes in clinical needs or technological iterations, competitors may accelerate the research and development process through new technologies and break through the technical barriers of the Group, resulting in a decline in our core product competitiveness and affecting our revenue and profitability. We will continue to invest in research and development, keep up with industry developments, explore new targets and technologies, and strengthen the competitiveness of innovative drug pipeline. The Group simultaneously monitors market demand dynamically, optimizes product portfolio, and expands technology and product reserves through strategic cooperation to consolidate market competitiveness.

#### *Policies and regulations*

The Chinese pharmaceutical industry is currently in a stage of rapid development. In order to promote innovation, upgrading, and standardized development in the industry, relevant regulations and policies are constantly iterating and upgrading. These adjustments may pose challenges to the short-term business pace and cost structure. In this process, the Company will actively adapt to regulatory requirements, keep up with changes in drug review and approval, medical insurance policies, etc., formulate corresponding strategies, and seize opportunities for high-quality development in the medium and long term.

#### *Global economy and supply chain*

Global trade frictions may affect raw material costs, logistics costs, supply chain stability, etc.; the interruption of raw material supply may affect production stability. The Company will continue to implement lean management, strengthen supply chain management and diversify the supplier network, ensure critical material reserves, jointly build emergency plans with our partners, and enhance our capabilities in demand forecasting and risk warning.

### Principal risks and uncertainties related to the product

#### *Existing products*

If the main products are not included in the national or provincial reimbursement drug list, or competition from similar products bring downward pressure on prices, sales revenue or profit margins will be affected; product quality defects or side effects may result in legal liability and reputation damage. The Company will focus on high-tech barrier products, continuously strengthen the evidence-based medicine moat of our products, deploy a multi-channel marketing network, promote production process optimization and large-scale production. Simultaneously, the Group has integrated quality management into the entire process of research and development, process scale-up, manufacturing, and product launch by measures such as enhancing employee training, optimizing processes and procedures, and strengthening pharmacovigilance, thereby controlling quality risks.

## PRINCIPAL RISKS AND UNCERTAINTIES *(Continued)*

### Principal risks and uncertainties related to the product *(Continued)*

#### ***Products under research and development***

The research and development cycle of innovative drugs is long, costly, and highly uncertain in terms of outcomes. The Company's products under research and development may not achieve the expected results, timely regulatory approval, successful commercialization or market recognition as planned and/or disclosed. Patent infringement lawsuits or insufficient market acceptance may weaken the competitiveness of products under research and development. The Group will actively explore efficient research and development models, build a global patent layout, and continuously apply new technologies that may improve efficiency to target screening, molecular design, clinical trials, and other processes to balance the input-output ratio.

### Other principal risks and uncertainties

#### ***Information security and compliance***

Interruption of core business systems or damage to critical data assets may hinder operational decisions, and data leakage incidents caused by network attacks may lead to knock-on risks such as trade secret leakage and privacy infringement. If a major compliance loophole occurs, it may trigger regulatory penalties and shake investor confidence.

The Company attaches great importance to providing a secure and reliable information protection environment. We authorize the Information Security Committee to regularly review and promote key information and data security work, establish a sound information security incident handling process, and develop emergency plans and mitigation measures for sudden network security incidents, comprehensively enhancing the information security awareness and protection capabilities of all employees.

The Company has established a comprehensive compliance management system, covering areas such as anti-corruption, anti-bribery, anti-monopoly, anti-conflict of interest, anti-money laundering, and anti-insider trading, to ensure that our operations worldwide always comply with legal and ethical standards. We attach great importance to compliance training and regularly conduct multi-level and multi-topic training activities for all employees to ensure that employees in different positions master the compliance requirements related to their responsibilities.

#### ***Talent competition and organizational capability***

In highly competitive industries, attracting and retaining key talents is crucial for enhancing organizational capabilities. Employee turnover or failure to attract key talents may affect the Company's innovation capability and market competitiveness. Our business relies on key position talents, and any loss may lead to technological gaps, operational efficiency lags etc. The Group has established a comprehensive talent selection, training, and incentive mechanism, including the RSU Scheme and other aspects.

## PRINCIPAL RISKS AND UNCERTAINTIES *(Continued)*

### Other principal risks and uncertainties *(Continued)*

#### *Climate risk*

Climate risks include physical risks and transition risks. The physical risks include acute physical risks such as water resource risks, typhoons, and extreme heat, as well as chronic physical risks that may cause significant asset losses; the transition risks include changes in laws and regulations, changes in greenhouse gas emissions and fossil fuel pricing, rising raw material costs that may affect supply chain stability, and low-carbon technology transformation that may increase additional investment. The Group continues to attach great importance to ESG and sustainable development, mapping identified climate risks to our future strategies and business activities. Based on macro-environmental expectations and future policy directions, we select short-term, medium-term, and long-term time dimensions for financial impact assessment, deploy a systematic framework for climate transition strategy around the goal of carbon neutrality, and deeply integrate it with our business to better resist climate risks.

Based on the likelihood and degree of impact of risks, the Group uses professional tools such as risk matrix, sensitivity analysis, and scenario analysis to scientifically classify risks and accurately identify key risks in each operational stage. The Group develops and implements corresponding priorities and control strategies for different levels of risks to ensure effective risk control. We believe that sustainable growth can be achieved in complex environments by continuously optimizing the risk management framework and maintaining core competitiveness.

## PROSPECTS

In 2025, Hansoh Pharma will continue to focus on the R&D of innovative drugs and internationalization strategy, as well as deepen its plans in the treatment of major diseases such as anti-tumor, CNS, metabolism and autoimmunity. The development and internationalization of core product pipelines will be accelerated to realize the further increase in proportion of revenue from innovative drugs. The Company will continue to strengthen BD collaboration, promote in-licensing and out-licensing for projects, and optimize the global market plans. At the same time, facing pressure from policies and market competition, the Company will consolidate its market position through differentiation of product portfolio and multi-channel commercialization strategy, laying the foundation for long-term growth.

# Corporate Governance Report

The Board is pleased to present the Corporate Governance Report for the Reporting Period.

## A. CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of governance that properly protects and promotes the interests of all Shareholders and enhances corporate value and accountability.

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code contained in Appendix C1 to the Listing Rules and the Company has adopted the Corporate Governance Code as its own code of corporate governance.

The Company has complied with all applicable code provisions in effect during 2024 as set out in Part 2 of the Corporate Governance Code during the Reporting Period, save for code provision C.2.1 as disclosed in this report.

## B. BOARD OF DIRECTORS

The businesses of the Company are managed and conducted by the Board. The Board is responsible for leading and controlling the Group, promoting the success of the Company by guiding and overseeing the affairs of the Group, and making decisions objectively in the best interests of the Company.

The Board will regularly review the contribution required from a Director to perform his/her responsibilities to the Group, and whether the Director is spending sufficient time performing them. Each Director should also disclose to the Company in a timely manner for any change, the number and nature of offices held in public companies or organizations and other significant commitments.

To oversee particular aspects of the Company's affairs, the Board has established five Board committees, including the Audit Committee, the Remuneration Committee, the Strategy and Development Committee, the ESG Committee and the Nomination Committee. The Board has delegated to the Board committees the responsibilities as set out in their respective terms of reference.

The Company has arranged appropriate insurance coverage in respect of liability arising from legal action against its Directors, and will conduct annual review on such insurance coverage.

## B. BOARD OF DIRECTORS *(Continued)*

### Board Composition

As at December 31, 2024, the Board comprised of three executive Directors (including the Chairlady and Chief Executive Officer) and three independent non-executive Directors.

| Position | Name |
|---|---|
| **Executive Director** | Ms. Zhong Huijuan *(Chairlady and Chief Executive Officer)*<br>Ms. Sun Yuan<br>Dr. Lyu Aifeng |
| **Independent Non-executive Director** | Mr. Lin Guoqiang<br>Mr. Chan Charles Sheung Wai<br>Ms. Yang Dongtao |

Notes:

Dr. Lyu Aifeng and Mr. Lin Guoqiang were re-elected as executive Director and independent non-executive Director, respectively, by the Shareholders at the annual general meeting held on June 13, 2024.

The biographical details of the Directors and the relationships of Board members are set out in the section headed "Biographical Details of Directors and Senior Management" in this Annual Report.

### Independent Non-executive Directors

The Board has complied with the requirements of the Listing Rules at any time during the Reporting Period. The Company has appointed three independent non-executive Directors with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise, and the independent non-executive Directors represent over one-third of the Board.

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

## B. BOARD OF DIRECTORS *(Continued)*

### Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provisions of the Corporate Governance Code so as to ensure the establishment of sound corporate governance practices and procedures by the Company. During the Reporting Period, the Board has:

(1) considered, formulated and reviewed the Company's policies and practices on corporate governance;

(2) reviewed and monitored the training and continuous professional development of Directors and senior management;

(3) reviewed and monitored the Company's policies and practices in compliance with legal and regulatory requirements as required under the applicable requirements of the Listing Rules;

(4) reviewed and monitored the Directors' and relevant employees' compliance with the Company Code; and

(5) reviewed the Company's compliance with the Corporate Governance Code and relevant disclosure.

### Responsibilities of the Board and the Management

The Board reserves for its decision on all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

### Chairlady and Chief Executive Officer

Code provision C.2.1 of the Corporate Governance Code states that the roles of chairman and chief executive Officer should be separate and should not be performed by the same individual. The Company has appointed Ms. Zhong Huijuan ("**Ms. Zhong**") as both the chairlady and the chief executive officer of the Company. Due to the nature and the extent of the Group's operations and Ms. Zhong's in-depth knowledge and experience in the PRC pharmaceutical industry, the Board considers that the balance of power and authority under the present arrangement is not impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairlady of the Board and the chief executive officer of the Company at a time when it is appropriate by taking into account the circumstances of the Group as a whole.

## B. BOARD OF DIRECTORS *(Continued)*

### Re-election of Directors

Code provision B.2.2 states that every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

In accordance with the Articles of Association, one third of the Directors for the time being shall retire from office by rotation at every annual general meeting of the Company provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years and any Director appointed by the Board or elected by the Shareholders to fill a casual vacancy or as an addition to the Board shall hold office until next annual general meeting of the Company after his/her appointment and be subject to re-election at such meeting.

The Company has entered into a service contract with each of the executive Directors for a term of three years and an appointment letter with each of the independent non-executive Directors for a term of three years. Directors are subject to retirement by rotation and re-election pursuant to the Articles of Association and the Listing Rules.

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

## B. BOARD OF DIRECTORS *(Continued)*

### Training and Continuous Professional Development

***Directors***

Each newly appointed Director receives formal, comprehensive and tailored induction on the first occasion of his/her appointment, in order to make sure that he/she has appropriate understanding of the business and operations of the Company and is fully aware of his/her duties and responsibilities under the Listing Rules and other relevant statutory requirements.

Directors are encouraged to participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

During the Reporting Period, the Company arranged internal briefings for Directors and sent reading material on relevant topics to Directors for their reference and studies, including reading materials in relation to legal and regulatory updates. Internal training sessions were also arranged for the Directors, which covered topics including but not limited to new regulations and practices related to ESG, and the amendments of the Listing Rules.

| Directors | Type(s) of Training[Note] |
|---|---|
| ***Executive Directors*** | |
| Ms. Zhong Huijuan | B |
| Ms. Sun Yuan | B |
| Dr. Lyu Aifeng | B |
| ***Independent Non-executive Directors*** | |
| Mr. Lin Guoqiang | B |
| Mr. Chan Charles Sheung Wai | B |
| Ms. Yang Dongtao | A and B |

Note:

Types of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

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

## B. BOARD OF DIRECTORS *(Continued)*

### Training and Continuous Professional Development *(Continued)*

#### ***Joint Company Secretaries***

The company secretaries are responsible for facilitating the Board process, as well as communications among the Board members, Shareholders and management. During the Reporting Period, Ms. Zhong Shengli together with Ms. Li Yan Wing Rita of Tricor Services Limited which is an external service provider specializing in integrated business, corporate and investor services, have been engaged by the Company as its joint company secretaries. Ms. Tam Sze Wai Sara, who is also of Tricor Services Limited, has subsequently been engaged by the Company as its joint company secretary as Ms. Li resigned with effect from 29 April 2024.

Ms. Tam Sze Wai Sara has resigned as joint company secretary with effect from January 24, 2025.

Ms. Wong Yuen Ki of Tricor Services Limited, has been appointed as joint company secretary with effect from January 24, 2025.

The biographical information of Ms. Zhong Shengli and Ms. Wong Yuen Ki are set out in the section headed "Biographical Details of Directors and Senior Management" of this Annual Report. Ms. Zhong Shengli and Ms. Tam Sze Wai Sara have confirmed that they have taken not less than 15 hours of relevant professional training during the Reporting Period in compliance with Rule 3.29 of the Listing Rules.

The primary contact person at the Company is Ms. Zhong Shengli.

### Committees

As at December 31, 2024, the Board has established the following committees: Audit Committee, Remuneration Committee, Strategy and Development Committee, ESG Committee and Nomination Committee. These committees operate in accordance with their respective terms of reference established by the Board. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the websites of the Company and the Stock Exchange and are available to Shareholders upon request. The majority of the members of each Board committee (except the Strategy and Development Committee) are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" of this Annual Report.

## B. BOARD OF DIRECTORS *(Continued)*

### Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely, Mr. Chan Charles Sheung Wai ("**Mr. Chan**") (chairman of the Audit Committee), Mr. Lin Guoqiang ("**Mr. Lin**") and Ms. Yang Dongtao ("**Ms. Yang**").

The major duties and responsibilities of the Audit Committee are set out clearly in its terms of reference, which primarily include assisting the Board in reviewing the financial information and reporting system, risk management and internal control system, relationship with external auditors, and reviewing arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee also performs the responsibilities as set out in the Corporate Governance Code.

The consolidated financial statements of the Group for the year ended December 31, 2024 have been reviewed by the Audit Committee and the external auditor. The Audit Committee is of the view that the consolidated financial statements of the Group for the year ended December 31, 2024 comply with the applicable accounting standards and the Listing Rules, and that sufficient disclosures have been made.

During the year ended December 31, 2024, two meetings were held by the Audit Committee to review the consolidated financial statements for the year ended December 31, 2023 as well as the effectiveness of the internal audit function of the Company, any recommendations on the management and control of internal risks and the review of the unaudited financial statements for the six months ended June 30, 2024. All members of the Audit Committee attended the meetings of the Audit Committee in person.

## B. BOARD OF DIRECTORS *(Continued)*

### Remuneration Committee

The Remuneration Committee consists of three members: two independent non-executive Directors, namely, Ms. Yang (chairlady of the Remuneration Committee) and Mr. Lin, and one executive Director, namely, Ms. Zhong.

The primary duties of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors, non-executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her Associates will participate in deciding his/her own remuneration; reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules; and considering other matters relating to share schemes under Chapter 17 of the Listing Rules.

During the Reporting Period, the Remuneration Committee approved a written resolution under the authority of the RSU scheme to allot and issue 2,300,000 new shares (with an aggregate nominal value of HK$23) to the RSU Trustee holding for the benefit of the participants of the RSU Scheme. The Remuneration Committee also held a meeting in June 2024 to consider and recommend to the Board the remuneration and other benefits paid by the Company to the Directors and senior management and grant of RSUs pursuant to the RSU Scheme. The Remuneration Committee, after evaluating the contributions made by the grantees, approved the grant of RSUs representing a total of 11,397,590 Shares to 616 grantees pursuant to the RSU Scheme, among which no RSUs were granted to the Company's Directors and senior managers with a vesting period less than 12 months since the grant date and a clawback mechanism was in place. For further details, please refer to our announcement dated June 27, 2024.

During the year ended December 31, 2024, the Remuneration Committee held two meetings, and all members of the Remuneration Committee attended the meeting of the Remuneration Committee. The emoluments of Directors are determined by reference to the skills, experiences, responsibilities, employment conditions and time commitment in the Group's affairs and performance of each Director as well as salaries paid by comparable companies and the prevailing market conditions. Details of the emoluments of the Directors and five highest paid individuals are set out in Notes 8 and 9 to the consolidated financial statements.

## B. BOARD OF DIRECTORS *(Continued)*

### Strategy and Development Committee

The Strategy and Development Committee consists of four members: two executive Directors, namely, Ms. Zhong (chairlady of the Strategy and Development Committee) and Dr. Lyu Aifeng ("**Dr. Lyu**"), and two independent non-executive Directors, namely, Mr. Chan and Ms. Yang.

The primary duties of the Strategy and Development Committee include conducting research and making suggestions for the medium-to-long-term development strategy and development plans of the Group, considering the annual operation plans and investment proposals of the Group, as well as conducting research and making suggestions for any expansion to new markets, launch of new business and R&D of new products of the Group.

During the year ended December 31, 2024, the Strategy and Development Committee held one meeting to evaluate the development of the Group in 2024 and consider the future development strategies and plans, including but not limited to, the discussion about major investments, financing, reorganization, and plans for expansion to new markets, launch of new business and development of new products. All members of the Strategy and Development Committee attended the meeting of the Strategy and Development Committee.

### ESG Committee

The ESG Committee consists of three members: one executive Director, namely Dr. Lyu (chairman of the ESG Committee), and two independent non-executive Directors, namely Mr. Chan and Ms. Yang.

The primary duties of the ESG Committee include guiding and formulating the Group's ESG vision, objectives, strategy and structure to ensure they meet the Group's needs and comply with applicable laws, regulations, regulatory requirements and international standards; supervising the development and implementation of the Group's ESG vision, strategy and structure; guiding and reviewing the identification and prioritization of key ESG issues of the Group; reviewing major ESG trends and related risks and opportunities; assessing the adequacy and effectiveness of the Group's ESG structure accordingly; formulating relevant policies to effectively promote the relationship between the Group and its stakeholders and to protect the reputation of the Group; reviewing the Company's ESG reports and other ESG related disclosures and making recommendations to the Board, etc..

During the year ended December 31, 2024, the ESG Committee held two meetings to review ESG enhancement initiatives and consider work plans, review and identify the material ESG issues of the Group and their priorities, identify risks relating to climate change, formulate countermeasures etc. All members of the ESG Committee attended meeting of the ESG Committee.

## B. BOARD OF DIRECTORS *(Continued)*

### Nomination Committee

The Nomination Committee consists of three members: one executive Director, namely Ms. Zhong (chairlady of the Nomination Committee), and two independent non-executive Directors, namely Mr. Lin and Mr. Chan.

The primary duties of the Nomination Committee include reviewing the structure, size and composition of the Board (including skills, knowledge and experience of Directors), identifying individuals suitably qualified to become members of the Board, selecting or making recommendations to the Board on nominations, appointing or re-appointing of Directors and succession planning for Directors, and assessing the independence of independent non-executive Directors.

During the year ended December 31, 2024, the Nomination Committee held one meeting to nominate candidates to the Board, to review the independence of the Company's independent non executive Directors and to review the structure, size and composition of the Board and the Board Diversity Policy. All members of the Nomination Committee attended meeting of the Nomination Committee.

To ensure independent views and input are available to the Board, Nomination Committee is responsible for evaluating the Board performance on an annual basis. Evaluation is based on the following factors to ensure a strong independent element on the Board and improve Board effectiveness: (1) professional qualification and industry experience; (2) sufficient time devoted to the Board; (3) continuous participation into training and regular review of the relevant policy of the Company. During the Reporting Period, the Board has reviewed the board independence mechanism and considered that the implementation of the mechanism was effective.

### Director Nomination Policy

The Company has adopted a Director nomination policy on November 26, 2018 which aims to render clear basis and procedures for the nomination and appointment of Directors. The Board will take into account factors such as character and integrity, qualifications, skills, experience, independence and diversity of the candidates, and whether or not the candidate is willing and able to devote adequate time to discharge duties as a member of the Board and Board committee(s) upon receipt of the proposal of appointment of new Directors or the nomination proposal made by Shareholders at general meetings of the Company. When Directors are re-elected at general meetings, apart from the above standards, the Board will also review the overall contributions and services of retiring Directors to the Company and their level of participation and performance in the Board.

The Nomination Committee is responsible for reviewing the Director nomination policy to ensure its effectiveness.

## B. BOARD OF DIRECTORS *(Continued)*

### Board Diversity Policy

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

The Directors have a mix of knowledge and skills of, including, management, strategic development, business development, sales, R&D, industry research, investment management, finance, corporate finance, risk management, education, chemistry and the pharmaceutical industry. They obtained degrees in various areas including chemistry, organic chemistry, biomedical engineering, biomedical sciences, business administration, commerce, engineering, economics and corporate management. The age of Directors ranges from 38 years old to 82 years old.

The Nomination Committee is responsible for reviewing the Board Diversity Policy, monitoring the implementation of the Board Diversity Policy and reviewing the Board Diversity Policy from time to time to ensure its continued effectiveness. As at December 31, 2024, the Board comprises 6 Directors, of which 50% of them are female and 50% of them are male. Having reviewed the implementation and effectiveness of Board Diversity Policy and the Board's composition, the Nomination Committee considered that the requirements of the Board Diversity Policy had been met and therefore, no measurable objective for the implementation of the Board Diversity Policy is required to be set. However, from time to time, the Nomination Committee will monitor the Board's composition and consider setting measurable objectives and reviewing such objectives to ensure their appropriateness and ascertain the progress made towards achieving Board diversity.

As at December 31, 2024, the employees of the Group (including senior management) comprise about 60.8% male and 39.2% female. To promote diversity, the Company takes effective actions to recruit and attract a wide range of diverse talents and ensure that candidates from different backgrounds and gender identities are fairly and impartially considered. The Company also provides diversity training to employees and implements employee development plan, as well as makes compensation and promotion decisions regardless of gender and marital status.

### Attendance of Board Meetings and Committee Meetings

Pursuant to the Corporate Governance Code, board meetings should be held at least four times a year at approximately quarterly intervals. During the Reporting Period, the Board has held four meetings.

Pursuant to the Corporate Governance Code, the chairman of the Board should at least hold meetings annually with the independent non-executive Directors without the presence of the other Directors. During the Reporting Period, the chairlady of the Board held one meeting with the independent non-executive Directors in compliance with the Corporate Governance Code.

Details of the attendance of Directors at the Board meetings, committee meetings and general meetings during the year under review are set out below:

## B. BOARD OF DIRECTORS *(Continued)*

### Attendance of Board Meetings and Committee Meetings *(Continued)*

***Number of meetings attended/held***

| Directors | Board | Audit Committee | Remuneration Committee | Strategy and Development Committee | ESG Committee | Nomination Committee | General Meeting |
|---|---|---|---|---|---|---|---|
| **Number of meetings held** | 4 | 2 | 2 | 1 | 2 | 1 | 1 |
| **Executive Directors** | | | | | | | |
| Ms. Zhong Huijuan | 4/4 | – | 2/2 | 1/1 | – | 1/1 | 1/1 |
| Ms. Sun Yuan | 4/4 | – | – | – | – | – | 1/1 |
| Dr. Lyu Aifeng | 4/4 | – | – | 1/1 | 2/2 | – | 1/1 |
| **Independent Non-executive Directors** | | | | | | | |
| Mr. Lin Guoqiang | 4/4 | 2/2 | 2/2 | – | – | 1/1 | 1/1 |
| Mr. Chan Charles Sheung Wai | 4/4 | 2/2 | – | 1/1 | 2/2 | 1/1 | 1/1 |
| Ms. Yang Dongtao | 4/4 | 2/2 | 2/2 | 1/1 | 2/2 | – | 1/1 |

### Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Company Code on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules. Specific enquiry has been made to all Directors by the Company and all Directors confirmed that they have complied with the Company Code during the Reporting Period.

No incident of non-compliance of the Company Code by the employees was noted by the Company.

### Remuneration of Senior Management

There were 7 employees classified as senior management for the year ended December 31, 2024. The remuneration of the senior management by band is set out below:

| | Number of employee(s) |
|---|---|
| RMB 1,000,001 to RMB 3,500,000 | 3 |
| RMB 3,500,001 to RMB 6,000,000 | 2 |
| RMB 6,000,001 to RMB 7,000,000 | 2 |
| | 7 |

## C. ACCOUNTABILITY AND AUDIT

### Directors' Responsibility in respect of the Financial Statements

The Board acknowledges its responsibility for preparing the accounts which seek to give a true and fair view of the financial position of the Company and the Group, with necessary supporting assumptions or judgments. The Directors also ensure the timely publication of the financial statements of the Company.

The management provides explanation and information to the Board to enable it to make an informed assessment of the financial and other information to be approved.

The Board endeavors to ensure a balanced, clear and understandable assessment of the Company's position and prospects when the Company presents financial reports and other information to general public and regulators pursuant to the Listing Rules and other statutory requirements.

The Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board continues to prepare the financial statements on a going concern basis.

### Risk Management and Internal Control

The Company is dedicated to establishing and maintaining a robust internal control system. The Company has adopted and implemented risk management policies in various aspects of our business operations to address various potential risks in relation to our strategic plan, R&D, infrastructure, procurement, manufacturing, distribution and retail. Our risk management system also covers general finance management, human resources, information technology, projects, logistics, subsidiaries and policy matters.

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. The systems are designed to manage rather than eliminate the risk of failing to achieve our business objectives, and can only provide a reasonable and not absolute assurance against material misstatement or loss.

The Company has established a three-layer organizational framework (business departments, functional departments and internal control and audit department) to identify, analyze, categorize, control, and monitor various risks relating to our strategy, operation, market development, financial matters, legal matters, investment and financing, information security, anti-bribery and anti-money laundering. For risk identified, the Group promptly implements internal controls and continually optimizes related processes to mitigate potential risks.

The internal audit department of the Company examined key issues in relation to the accounting practices and all material controls and provided its findings and recommendations for improvement to the Audit Committee. The Directors have conducted an annual review of the effectiveness of the risk management and internal control system of the Group during the year ended December 31, 2024, covering all major functions including finance, operation and compliance. Based on the review results, the Directors are of the opinion that the system is effective and sufficient.

The Company has also adopted an information disclosure policy which has set out comprehensive guidelines in respect of handling and dissemination of inside information. The Board has established an inside information team entrusted with the responsibility for monitoring and implementing the procedural requirements in the information disclosure policy. Release of inside information shall be led by the Board. Unless duly authorized, all staff members of the Company shall not disseminate inside information relating to the Group to any external parties and shall not respond to false media report or market speculation which may materially affect the trading price or volume of the shares.

## C. ACCOUNTABILITY AND AUDIT *(Continued)*

### Auditor and Auditors' Remuneration

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in this Annual Report on pages 70 to 74.

During the Reporting Period, the remuneration payable to the external auditor of the Group, being Ernst & Young, is set out as follows:

| | **Fee paid/payable for the Reporting Period *(RMB'000)*** |
|---|---|
| **Service category** | |
| Audit services | **3,230** |
| Non-audit services: | |
| Tax experience sharing consultation | **100** |
| Total | **3,330** |

## D. COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company has adopted the Shareholder communication policy with an aim to ensure that the Shareholders of the Company and as appropriate, the general investors have timely access to the same and readily comprehensible comprehensive information about the Company.

The Company has reviewed the implementation and effectiveness of the above Shareholder communication policy during the Reporting Period and is satisfied that the policy has been implemented effectively, having considered the availability of multiple channels of communication and engagement in place below.

The Company conveys the information to the Shareholders and investors mainly through the following channels:

- the website of the Stock Exchange on which the information disclosed to the market and submitted to the Stock Exchange is published;
- the website of the Company (**www.hspharm.com**);
- the interim reports and annual reports; and
- the annual general meeting and other general meetings.

To facilitate the exchange of views between the Shareholders and the Board, the chairlady of the Board and chairman/chairlady of the Board committees (or their delegates (if applicable)), appropriate executive management personnel and the external auditor will attend the annual general meetings and answer the questions raised by the Shareholders.

## D. COMMUNICATION WITH SHAREHOLDERS AND INVESTORS *(Continued)*

### Rights of Shareholders

Pursuant to Article 12.3 of the Articles of Association, any two or more members holding not less than one-tenth of the paid-up capital of the Company and carrying the right of voting at general meetings of the Company, or any one member which is a recognized clearing house (or its nominee(s)) shall be entitled to require the convening of a general meeting with a written requisition deposited at the principal office of the Company in Hong Kong and specifying the objects of the meeting and signed by the requisitionist. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition.

Shareholders may also contact the Investor Relations Department of the Company from time to time to understand the information published by the Company. The Company will inform the Shareholders of the designated e-mail address and enquiry hotline of the Company so that they can make any enquiries of the Company.

### Enquiry to the Board

Enquiry may be made to the Board at the principal place of business of the Company in Hong Kong at Room 1928, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.

The Company publishes on its website (**www.hspharm.com**) the latest company news relating to the Group. The public is welcome to provide opinions and make enquiries through the Company's website.

### Amendments to the Constitutional Documents

No changes have been made to the Articles of Association by the Company during the Reporting Period. The latest version of Articles of Association is also available on the websites of the Company and the Stock Exchange.

### Dividend Policy

The Company has adopted a dividend policy pursuant to the Corporate Governance Code. The Board may declare and pay dividends by way of cash or by other means that the Board considers appropriate. While deciding on the declaration or payment of any dividends and the amount of any dividends, the Board will take into account, among other things, the Company's results of operations, cash flows and financial condition, operating and capital expenditure requirements, distributable profits, contractual and legal restrictions and other factors that the Directors may consider relevant.

# Directors' Report

The Board is pleased to submit this report and audited consolidated financial statements of the Group for the year ended December 31, 2024.

## PRINCIPAL BUSINESS

The Company is an investment holding company. The Group is principally engaged in the R&D, production and sales of a series of pharmaceutical products in China. The shares of the Company were listed on the Main Board of The Stock Exchange on June 14, 2019.

Operating segment information of the Company for the year ended December 31, 2024 is presented in Note 4 to the consolidated financial statements, and a list of principal subsidiaries of the Company, together with the details of their places of incorporation, principal businesses and shares in issue/registered capital, is set out in Note 1 to the consolidated financial statements. There are no substantial changes in the principal business of the Group during the Reporting Period.

## RESULTS AND DIVIDENDS

The operating results of the Group for the year ended December 31, 2024 and the financial positions of the Company and the Group as at the same date are set out on pages 75 to 81 of the consolidated financial statements.

The Board recommends a final dividend of HK$13.53 cents per share for the year ended December 31, 2024 (2023: HK$14.22 cents). Subject to the approval of the Shareholders at the AGM, the proposed final dividend will be payable on Friday, July 25, 2025 to Shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, July 9, 2025, being the record date. Together with an interim dividend of HK$20.10 cents per share, the full-year dividend for 2024 amounted to HK$33.63 cents per share.

The Group is not aware of any arrangement under which a Shareholder has waived or agreed to waive any dividends.

## BUSINESS REVIEW

Details of the business review and performance of the Group during the Reporting Period (including the description of the main risks and uncertainties faced by the Group, material events affecting the Company that have occurred since the end of 2024, the key financial performance indicators and prospects) are set out in the "Chairlady's Statement" and "Management Discussion and Analysis" sections on pages 7 to 27 of this Annual Report, which form part of this report.

## ANNUAL GENERAL MEETING

The AGM of the Company will be held on Friday, June 20, 2025. The notice of AGM will be published on the websites of the Company (**www.hspharm.com**) and the Stock Exchange (**www.hkexnews.hk**) at least 21 days before the AGM.

# Directors' Report

## CLOSURE OF REGISTER OF MEMBERS

To determine the right to attend and vote at the AGM, the Company will close the register of members between Tuesday, June 17, 2025 and Friday, June 20, 2025 (both days inclusive), during which period no transfer of shares will be registered. To ensure the effect of right to attend and vote at the AGM, all Shareholders shall return all the documents together with the related stocks to the Company's branch share registrar and transfer office, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong before 4:30 pm on Monday, June 16, 2025.

In order to ascertain the Shareholders' entitlements to the proposed final dividend, the register of members of the Company will be closed from Monday, July 7, 2025 to Wednesday, July 9, 2025, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Friday, July 4, 2025.

## SUMMARY OF FINANCIAL INFORMATION

According to the audited consolidated financial statements and after reclassification as appropriate, the published results, assets, liabilities and net assets of the Group for the past five fiscal years are presented in the "Financial Highlights" section of this Annual Report on page 4. This summary does not form part of the audited consolidated financial statements.

## PROPERTY, PLANT AND EQUIPMENT

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

## SHARE CAPITAL

The Company had 5,935,650,070 ordinary shares in issue as at December 31, 2024. The changes in the share capital and share option (if any) of the Company during the year, together with the reasons therefor, are set out in Note 28 to the consolidated financial statements.

## USE OF PROCEEDS FROM ISSUANCE OF CONVERTIBLE BONDS

In January 2021, the Company successfully completed the issuance and listing of US$600 million zero-coupon convertible bonds due in 2026 to the professional investors only. The net proceeds from the bonds were approximately US$595.65 million, which have been and will be used for R&D expenditure (including but not limited to allocating funding to clinical trials for innovative drugs, innovative drugs development and/or in-license opportunities), upgrading and expanding existing manufacturing facilities and procuring equipment for its production facilities, and for general corporate purposes. In December 2022, the Company repurchased bonds with an aggregate principal amount of US$4 million. In January 2024, the Company redeemed the outstanding convertible bonds in the aggregate principal amount of US$590,622,000. As at December 31, 2024, US$591.65 million was utilized and the net proceeds had been fully utilized. As at December 31, 2024, the net proceeds utilized by the Group were as follows:

| Purpose | Percentage of the total amount | Net proceeds (US$100 million) | Utilized from the issuance date to December 31, 2024 (US$100 million) | Repurchased from the issuance date to December 31, 2024 (US$100 million) | Unutilized as at December 31, 2024 (US$100 million) | Expected time frame |
|---|---|---|---|---|---|---|
| R&D expenditure, including but not limited to allocating funding to clinical trials for innovative drugs, innovative drugs development and/or in-license opportunities | 65% | 3.8717 | 3.8317 | 0.0400 | – | Not applicable |
| Upgrading and expanding existing manufacturing facilities (including R&D facilities) and procuring equipment for its production facilities | 25% | 1.4891 | 1.4891 | – | – | Not applicable |
| General corporate purposes | 10% | 0.5957 | 0.5957 | – | – | Not applicable |
| Total | 100% | 5.9565 | 5.9165 | 0.0400 | – | |

The proceeds were used according to the purpose previously disclosed by the Company. To the best knowledge of the Directors, there has neither been any material change nor delay in the use of proceeds during the year ended December 31, 2024. Due to the changes in the market environment and the Company's intensified efforts in innovation and transformation, the Company's investment in R&D has increased year-on-year, accelerating the rate of utilization as compared to prior estimates.

# Directors' Report

## USE OF PROCEEDS FROM PLACING

On April 22, 2020, the Company entered into a placing agreement with Morgan Stanley & Co. International plc and Citigroup Global Markets Limited (the "**Placing Agents**"), pursuant to which the Placing Agents agreed to place 130,380,000 ordinary shares in the Company, or, failing which, to purchase themselves on a fully underwritten basis to not fewer than six placees who are professional, institutional or other investors selected and procured by the Placing Agents and whose ultimate beneficial owners are independent third parties (the "**Placing**"). The Placing price was HK$26.75 per share.

The net proceeds from the Placing were approximately HK$3,477.20 million, which have been and will be used for R&D projects, including but not limited to our existing and future domestic and overseas drug R&D, expanding our R&D team, and investment in technologies, to further enhance our R&D capabilities and enrich our product pipeline. As at December 31, 2024, the net proceeds of HK$3,477.20 million had been fully utilized. As at December 31, 2024, the net proceeds utilized by the Group were as follows:

| Purpose | Percentage of the total amount | Net proceeds (HK$100 million) | Utilized from the issuance date to December 31, 2024 (HK$100 million) | Unutilized as at December 31, 2024 (HK$100 million) | Expected time frame |
|---|---|---|---|---|---|
| R&D projects, including but not limited to our existing and future domestic and overseas drug R&D, expanding our R&D team, and investment in technologies | 100% | 34.7720 | 34.7720 | – | Not applicable |

Utilized proceeds were used according to the purpose previously disclosed by the Company. To the best knowledge of the Directors, there has neither been any material change nor delay in the use of proceeds during the year ended December 31, 2024.

## PRE-EMPTIVE RIGHT

There are no provisions for pre-emptive rights under the Articles of Association or the laws of Cayman Islands (the jurisdiction in which the Company was incorporated) which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

## PURCHASE, SALE OR REDEMPTION

On January 22, 2024, the Company redeemed the outstanding convertible bonds in the aggregate principal amount of US$590,622,000 pursuant to the terms and conditions of zero coupon convertible bonds due 2026 and bondholders' notice of redemption, representing approximately 99.10% of the principal amount of the convertible bonds outstanding as at that date. The convertible bonds in the principal amount of US$5,378,000 remain outstanding as of December 31, 2024. Save as disclosed, during the year ended December 31, 2024, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares) (as defined under the Listing Rules). As at December 31, 2024, no treasury shares (as defined under the Listing Rules) were held by the Company.

## TAX RELIEF AND EXEMPTION

The Company has no knowledge of any tax relief and exemption provided to the Shareholders due to their holding of the Company's securities.

## RESERVES

Details of movements in the reserves of the Group and the Company during the Reporting Period are set out in Notes 30 and 38 to the consolidated financial statements and the consolidated statement of changes in equity, respectively.

## RESERVES AVAILABLE FOR DISTRIBUTION

The Company may pay dividends out of its share premium account and retained earnings.

As at December 31, 2024, the Company had distributable reserves for share premium of RMB13,999,985,000 (2023: RMB14,095,522,000).

Details of movements in the reserves of the Company during the year ended December 31, 2024 are set out in Note 38 to the consolidated financial statements.

## MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the sales to the Group's five largest customers and the purchases from the Group's five largest suppliers accounted for less than 30% of the total sales and 30% of the total purchases of the year, respectively.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

The business of the Group is subject to national, provincial and local environmental laws and regulations in China. The main pollutants generated during the production process of the Group's products include waste water, waste gas and solid waste. The Group has established a pollution control system in order to comply with the applicable laws and regulations to adopt compliant and harmless disposal methods for different types of hazardous wastes. For hazardous waste that can be recycled, we carry out resource recycling, while other hazardous waste that cannot be recycled is entrusted to institutions with hazardous waste treatment qualifications for incineration or recycling. For non-hazardous waste such as office waste and kitchen waste, we entrust the environmental sanitation department or professional institutions for regular disposal. The Group seeks to reduce, treat and recycle the waste generated in the production process and improve the Group's production technique to reduce the pollutants discharged to the environment.

The Company will publish an "Environmental, Social and Governance Report" in accordance with the "Environmental, Social and Governance Reporting Code" as set out in Appendix C2 to the Listing Rules as soon as practicable and in any event at the same time as the Company's annual report.

## DONATIONS

During the Reporting Period, the Group made charitable and other donations in an aggregate amount of approximately RMB35 million.

# Directors' Report

## RELATIONSHIP WITH STAKEHOLDERS

The Group recognizes that the interests of stakeholders are vital to the sustainable development of its business operation and is committed to maintaining effective communication with the major stakeholders, including customers, suppliers and employees to enhance the relationship and cooperation for the long-term development of the Group.

The Group's customers are pharmaceutical product distributors. According to industry practice, we will not engage our distributors to provide marketing and promotional services for our products. The Group's in-house sales and marketing team enhances the professionals' awareness and understanding of the usage, clinical effects and advantages of the Group's drug products through its promotion efforts. The Group generally entered into annual distribution agreements with distributors. The Group believes that this distribution model helps extend the Group's coverage in a cost-effective manner while retaining proper control over the distribution network and marketing and promotion process.

Employees are considered as the most important and valuable assets of the Group. The remuneration package for employees generally includes salary and bonuses. The Group conducts periodic performance reviews for employees, and their remuneration is performance-based. Employees also receive welfare benefits including medical care, housing subsidies, pension, occupational injury insurance and other miscellaneous benefits. The Group also provides regular training to employees, which is designed to improve staff dedication and increase staff knowledge in a number of important areas of our services, in order to enhance the productivity of employees.

## COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

As the Group mainly operates in China through its subsidiaries, it is subject to Chinese laws and regulations relating to the R&D, production and distribution of pharmaceutical products, including but not limited to those on quality, safety, manufacturing, environmental protection, intellectual property, labor and human resources. Meanwhile, as a company incorporated in the Cayman Islands and listed on the Stock Exchange, the Company is governed by the Company Law of the Cayman Islands, the Listing Rules and the Securities and Futures Ordinance.

During the year ended December 31, 2024, to the best knowledge of the Board, the Group does not have any incidence of non-compliance with the relevant laws and regulations that would have a significant impact on the Group's business.

## DIRECTORS

The Directors during the Reporting Period and as at the date of this report are as follows:

### Executive Directors:

Ms. Zhong Huijuan *(the Chairlady and Chief Executive Officer)*
Ms. Sun Yuan
Dr. Lyu Aifeng

### Independent Non-executive Directors:

Mr. Lin Guoqiang
Mr. Chan Charles Sheung Wai
Ms. Yang Dongtao

## BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out on pages 61 to 69 of this Annual Report.

## CHANGE IN DIRECTORS' INFORMATION

There is no change in the Directors' biographical details which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules during the Reporting Period.

## INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

## SERVICE CONTRACTS OF DIRECTORS

None of the Directors has entered into any unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation other than statutory compensation.

## DIRECTORS' INTERESTS IN MATERIAL TRANSACTIONS, ARRANGEMENTS AND CONTRACTS AS WELL AS COMPETING BUSINESS

Save as disclosed in the section headed "Related Party Transactions" and Note 33 to the consolidated financial statements headed "Related Party Transactions" set out in this Annual Report, no contracts of significance (as defined in Appendix D2 of the Listing Rules) related to the business of the Company to which the Company, its holding companies or any of its subsidiaries was a party and in which a Director or controlling shareholder of the Company had a material interest, whether directly or indirectly, subsisted at the end of 2024 or at any time during 2024.

Save as disclosed in the "Relationship with our Controlling Shareholders – The Associate's Investee Group" section of the Prospectus, none of our Directors or their respective Associates (as defined under the Listing Rules) has any interest in a business which competes or is likely to compete with our Group's business under Rules 8.10(2)(b) and 8.10(2)(c) of the Listing Rules.

## DEED OF NON-COMPETITION

The controlling Shareholders of the Company (i.e., Ms. Zhong, Stellar Infinity and Sunrise Investment) provided confirmation to the Company respectively, that they have honored the non-competition undertaking made to the Company under the deed of non-competition entered into on May 27, 2019. The independent non-executive Directors have reviewed their compliance status, and confirmed that the above-mentioned parties had kept and duly performed all the undertakings under the deed of non-competition during the Reporting Period.

## RELATED PARTY TRANSACTIONS

Details of related party transactions are set out in Note 33 to the consolidated financial statements. Pursuant to Chapter 14A of the Listing Rules, none of such related party transactions constitutes a connected transaction or continuing connected transaction (as the case may be).

## EVENTS AFTER THE REPORTING PERIOD

In January 2025, GSK received the FDA BTD for GSK5764227 (Company code HS-20093), the B7-H3-targeted ADC being evaluated for the treatment of adult patients with relapsed or refractory osteosarcoma (bone cancer) who have progressed on at least two prior lines of therapy.

With effect from January 24, 2025, due to personal work arrangement, Ms. Tam Sze Wai Sara ("**Ms. Tam**") has tendered her resignation as a joint company secretary of the Company and ceased to be an authorized representative of the Company (the "**Authorized Representative**") under Rule 3.05 of the Listing Rules and the process agent of the Company in Hong Kong for the purpose of accepting service of process and notices on its behalf as required under Rule 19.05(2) of the Listing Rules and Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**Process Agent**"). Following the resignation of Ms. Tam, the Board announces that Ms. Wong Yuen Ki has been appointed as the joint company secretary, an Authorized Representative and the Process Agent, with effect from January 24, 2025. For details, please refer to the Company's announcement dated January 24, 2025.

## EVENTS AFTER THE REPORTING PERIOD *(Continued)*

In February 2025, based on the positive results from the global pivotal phase Ⅲ MITIGATE trial on XINYUE, the new indication of the treatment of IgG4-RD of the product has been included in the Priority Review and Approval Procedure by the NMPA. In March 2025, Biologics License Application (BLA) of this indication was accepted by the NMPA.

In February 2025, the Category 1 small molecule BTKi HS-10561 capsules, which is jointly developed by the Group and Lupeng Pharma, obtained a clinical trial approval issued by the NMPA, which is intended to be investigated in clinical trials for chronic spontaneous urticaria.

In February 2025, the NMPA listed HS-20093 for injection as a Breakthrough-Therapy-Designated Drug, with the proposed indication for the treatment of patients with osteosarcoma who have progressed on at least two prior lines of therapy.

In March 2025, Ameile (Aumolertinib Mesilate Tablets) was granted drug registration approval by the NMPA, approving the addition of an indication: for the treatment of patients with locally advanced, unresectable NSCLC whose disease has not progressed following definitive platinum-based chemoradiotherapy whose tumors have EGFR exon 19 deletions or exon 21 (L858R) substitute mutations. This is the third indication of Ameile which has been approved.

In April 2025, HS-20122 for injection, which is an ADC of the Group, obtained a clinical trial approval issued by the NMPA, which is intended to be investigated in clinical trials for advanced solid tumors, including NSCLC, head and neck squamous cell carcinoma, or colorectal cancer.

In April 2025, the innovative drug HS-20108 for injection, self-developed by the Group, obtained a clinical trial approval issued by the NMPA, which is intended to be investigated in clinical trials for advanced solid tumors such as small cell lung cancer and neuroendocrine tumors.

In April 2025, HS-10529 tablets, a small molecule category I innovative drug targeting KRAS G12D self-developed by the Group, obtained the clinical trial approval issued by the NMPA, which is intended to be investigated in clinical trials for advanced solid tumors (pancreatic cancer, colorectal cancer, NSCLC, etc.) with KRAS G12D mutations.

In April, 2025, the NMPA listed HS-20093 for injection as a Breakthrough-Therapy-Designated Drug again, with the proposed indication for locally advanced or metastatic non-squamous NSCLC without driver mutations, progressed or recurred following platinum-based chemotherapy.

Save as disclosed above, there is no material event affecting the Company during the period from December 31, 2024 to the Latest Practicable Date of this report.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at December 31, 2024, the interests and/or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or (iii) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix C3 of the Listing Rules were as follows:

### 1. Interest in shares or underlying shares of the Company

| Name of Director | Capacity/Nature of interest | Number of shares or underlying shares | Approximate percentage of shareholding interest[(1)] |
|---|---|---|---|
| Ms. Zhong Huijuan[(2)] | Person with influence over a trust | 3,900,000,000 | 65.70% |
| Ms. Sun Yuan[(2)(3)] | Beneficiary of a trust | 3,900,000,000 | 65.70% |
| | Beneficial owner | 3,800,300 | 0.06% |
| Dr. Lyu Aifeng[(4)] | Beneficial owner | 2,239,900 | 0.04% |

Notes:

(1) The calculation is based on the total number of 5,935,650,070 issued shares of the Company as at December 31, 2024.

(2) These ordinary shares of the Company are beneficially owned by Stellar Infinity, which is a wholly-owned subsidiary of Sunrise Investment, which in turn is wholly-owned by Harmonia Holding as the trustee for the Sunrise Trust, a discretionary trust set up by Ms. Sun Yuan ("**Ms. Sun**"). Ms. Zhong Huijuan ("**Ms. Zhong**") is the person who has consent right on key matters in respect of the Sunrise Trust under the trust deed in relation to the Sunrise Trust. Accordingly, Ms. Zhong and Ms. Sun are deemed or taken to be interested in all the shares of the Company which are beneficially owned by Stellar Infinity for the purpose of Part XV of the SFO.

(3) In addition to the ordinary shares held by Stellar Infinity, Ms. Sun also holds 1,246,200 ordinary shares of the Company vested according to the RSU Scheme and is entitled to 2,554,100 RSUs subject to vesting conditions.

(4) Dr. Lyu Aifeng ("**Dr. Lyu**") holds 1,387,050 ordinary shares of the Company vested according to the RSU Scheme and is entitled to 852,850 RSUs subject to vesting conditions.

**DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES** *(Continued)*

### 2. Interest in shares or underlying shares of associated corporations of the Company

| Name of Director | Name of associated corporation | Capacity/ Nature of interest | Number of shares or underlying shares in the associated corporation | Percentage of shareholding interest in the associated corporation |
|---|---|---|---|---|
| Ms. Zhong Huijuan | Sunrise Investment[1] | Person with influence over a trust | 100 | 100% |
| Ms. Sun Yuan | Sunrise Investment[1] | Beneficiary of a trust | 100 | 100% |

Note:

(1) Sunrise Investment is wholly-owned by Harmonia Holding, which is the trustee for the Sunrise Trust, a discretionary trust set up by Ms. Sun. Ms. Zhong is the person who has consent right on key matters in respect of the Sunrise Trust under the trust deed in relation to the Sunrise Trust. Accordingly, Ms. Zhong and Ms. Sun are deemed or taken to be interested in all the shares of Sunrise Investment which are beneficially owned by Harmonia Holding for the purpose of Part XV of the SFO.

Save as disclosed above, as at December 31, 2024, so far as is known to the Directors, none of the Directors and the chief executives of the Company had or were deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified under Divisions 7 and 8 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at December 31, 2024, the interests and/or short positions of persons (other than the Directors and chief executives of the Company) in the shares or underlying shares of the Company (within the meaning of Part XV of the SFO) which were required to be notified under Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

| Name of shareholder | Capacity/ Nature of interest | Number of shares or underlying shares | Approximate percentage of shareholding interest[1] |
|---|---|---|---|
| Stellar Infinity[2] | Beneficial owner | 3,900,000,000 | 65.70% |
| Sunrise Investment[2] | Interest in controlled corporation | 3,900,000,000 | 65.70% |
| Harmonia Holding[2] | Interest in controlled corporation | 3,900,000,000 | 65.70% |
| JQC International Limited[3] | Interest in controlled corporation | 920,000,000 | 15.50% |
| JQC Holding Limited[3] | Interest in controlled corporation | 920,000,000 | 15.50% |
| Cantrust (Far East) Limited[3] | Trustee | 920,000,000 | 15.50% |
| Apex Medical[3] | Beneficial owner | 920,000,000 | 15.50% |
| Mr. Cen Junda[3] | Founder of a discretionary trust who can influence how the trustee exercises his discretion | 920,000,000 | 15.50% |

Notes:

(1) The calculation is based on the total number of 5,935,650,070 issued shares of the Company as at December 31, 2024.

(2) Stellar Infinity is a wholly-owned subsidiary of Sunrise Investment, which in turn is wholly-owned by Harmonia Holding, the trustee of the Sunrise Trust. Therefore, each of Sunrise Investment and Harmonia Holding is deemed to be interested in the shares of the Company held by Stellar Infinity for the purpose of the SFO.

(3) On September 1, 2023, Mr. Cen Junda transferred all of his interests in Apex Medical, an entity which, as of December 31, 2024, was the beneficial owner of 920,000,000 shares of the Company, to JQC International Limited, which is indirectly wholly-owned by Cantrust (Far East) Limited (as the trustee of a discretionary trust of which Mr. Cen Junda is the founder). Accordingly, Mr. Cen Junda has become a person with influence over a trust and is deemed or taken to be interested in all the shares of JQC International Limited which are ultimately beneficially owned by Cantrust (Far East) Limited for the purpose of Part XV of the SFO.

Save as disclosed above, as at December 31, 2024, so far as is known to the Directors, no person (not being a Director or chief executive of the Company) had or was deemed to have any interest or short position in the shares or underlying shares of the Company which was required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

## DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "Directors' and Chief Executives' Interests and/or Short Positions in Shares, Underlying Shares and Debentures", "Restricted Share Unit Scheme" and Note 27 to the consolidated financial statements in this Annual Report, at no time during the Reporting Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouses or minor children, or were any such rights exercised by them; nor was the Company, any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other corporations.

## PERMITTED INDEMNITY PROVISION

In addition to the indemnities provisions as set out in the Articles of Association, Directors' liability insurance is currently in place, and was in place during the Reporting Period, to protect the Directors of the Company against potential costs and liabilities arising from claims against them.

## SUFFICIENT PUBLIC FLOAT

In accordance with Rule 8.08(1)(d) of the Listing Rules, the Stock Exchange has granted the Company a waiver and accepted a lower public float of 16.21% of the Company's issued share capital.

During the Reporting Period, according to the public information obtainable by the Company and to the knowledge of the Directors, the Company has maintained the minimum public float to the extent permitted by the Stock Exchange.

## RESTRICTED SHARE UNIT SCHEME

The following is a summary of the principal terms of the RSU Scheme conditionally approved and adopted on May 27, 2019. For details of the RSU Scheme, please refer to Appendix IV "Statutory and General Information – D. Post-IPO RSU Scheme" of the Prospectus.

### 1. Purpose

The purpose of the RSU Scheme is to recognize contributions by selected participants and give incentives to them in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

### 2. Participants

Persons eligible to receive awards under the RSU Scheme include the following:

(i) employees (including director, chief executive officer, vice president, financial controller, company secretary, members of senior management or key technical personnel) of the Group; and

(ii) any other person selected by the Board at its sole discretion from time to time (subject to the compliance of the applicable Listing Rules).

**RESTRICTED SHARE UNIT SCHEME** *(Continued)*

### 3. Total number of shares available

No award shall be granted pursuant to the RSU Scheme if, as a result of such grant (assumed accepted), the aggregate number of shares underlying all grants made pursuant to the RSU Scheme (excluding awards that have lapsed or been cancelled in accordance with the rules of the RSU Scheme) will exceed 114,118,384 Shares, representing 2% of the number of shares in issue on the June 14, 2019.

The number of RSUs available for grant under the scheme mandate of the RSU Scheme at the beginning and the end of the Reporting Period are 52,290,594 shares and 46,172,474 shares respectively.

The number of shares that may be issued in respect of the RSUs granted under the RSU Scheme, being the only share scheme of the Company, during the Reporting Period divided by the weighted average number of issued shares (excluding treasury shares) for the year is 0.192%.

As at the date of this report, the Company had 46,781,584 Shares available for issue under the RSU Scheme, representing approximately 0.788% of the total issued share capital of the Company as at the date of this report.

### 4. Maximum entitlement of each participant

The total number of RSU awarded to each Participant (including vested, cancelled and outstanding awards) in any twelve (12)-month period shall not exceed 1% of the Shares in issue.

### 5. Vesting period

The vesting period of the RSUs granted is either (i) three years or (ii) thirty months and would follow one of the following vesting schedule: (i) 40% shall vest on the first anniversary of the grant date and the remaining 30% and 30% shall vest on the second and third anniversary of the grant date, respectively; (ii) 30% shall vest on the first anniversary of the grant date and the remaining 30% and 40% shall vest on the second and third anniversary of the grant date, respectively; (iii) approximately 34% shall vest on the first anniversary of the grant date/vesting commencement date (as the case may be) and the remaining approximately 33% and approximately 33% shall vest on the second and third anniversary of the grant date/vesting commencement date (as the case may be), respectively; (iv) approximately 19% shall vest six months after the grant date and the remaining approximately 33%, 33% and 15% shall vest on the first, second and third anniversary of the grant date, respectively; or (v) approximately 34% shall vest six months after the grant date, approximately 33% shall vest eighteen months after the grant date and approximately 33% shall vest thirty months after the grant date, respectively.

### 6. Exercise period

The concept of exercise period is inapplicable to the RSU Scheme. The selected participants are required to pay the purchase price for the RSUs that will vest in the period at the time of vesting.

## RESTRICTED SHARE UNIT SCHEME *(Continued)*

### 7. Performance targets

Subject to certain performance indicators and other requirements set out in the grant letter entered into between the selected participants and the Company, including based on the Company's annual results and the selected participant's individual annual performance.

### 8. Rights attached to the RSUs and the converted Shares

A selected grantee under the RSU Scheme ("**Grantees**") does not have any contingent interest in any Shares underlying a grant. Furthermore, a Grantee may not exercise any voting right in respect of any of the Shares underlying the grant, unless otherwise specified by the Board, nor do they have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Shares underlying the grant prior to vesting.

Any Shares transferred to a Grantee upon vesting shall be subject to the provisions of the Articles and will rank pari passu with the fully paid Shares in issue on the date of the transfer. The holders of the Shares will be entitled to participate in all dividends or other distributions paid or made on or after the date of transfer.

### 9. Amount payable

No amount is payable upon acceptance of the awards, and the purchase consideration is payable upon vesting during the vesting period.

## RESTRICTED SHARE UNIT SCHEME *(Continued)*

### 10. Present status of the RSU Scheme

As at December 31, 2024, pursuant to the RSU Scheme, the Company had granted to Directors, executives and employees of the Group outstanding RSUs representing 25,688,620 Shares, accounting for approximately 0.433% of the total issued share capital of the Company as at December 31, 2024.

Details of the RSUs granted under the RSU Scheme during the Reporting Period are as follows:

| Category | Grant date | Vesting Period | Purchase Price | Outstanding as at January 1, 2024 | During the Reporting Period: Granted | Vested | Cancelled | Lapsed | Outstanding as at December 31, 2024 |
|---|---|---|---|---|---|---|---|---|---|
| 1. Directors | | | | | | | | | |
| Ms. Sun Yuan | April 29, 2022 | 3 years(2) | HK$2.6 | 792,200 | 0 | 396,100(6) | 0 | 0 | 396,100 |
| | April 27, 2023 | 3 years(2) | HK$2.84 | 1,300,000 | 0 | 442,000(6) | 0 | 0 | 858,000 |
| | June 27, 2024(7) | 3 years(2) | HK$3.379 | 0 | 1,300,000(5) | 0 | 0 | 0 | 1,300,000 |
| Dr. Lyu Aifeng | April 29, 2022 | 3 years(3) | HK$2.6 | 577,500 | 0 | 288,750(6) | 123,750 | 0 | 165,000 |
| | April 27, 2023 | 3 years(2) | HK$2.84 | 600,000 | 0 | 142,800(6) | 61,200 | 0 | 396,000 |
| | June 27, 2024(7) | 3 years(2) | HK$3.379 | 0 | 291,850(5) | 0 | 0 | 0 | 291,850 |
| 2. Five highest paid individuals during the year ended December 31, 2024 | | | | | | | | | |
| Two Grantees (excluding the Directors) | April 29, 2022 | 3 years(3) | HK$2.6 | 194,000 | 0 | 103,900(6) | 0 | 0 | 90,100 |
| | October 29, 2022 | 30 months(4) | HK$2.6 | 142,800 | 0 | 71,400(6) | 0 | 0 | 71,400 |
| | April 27, 2023 | 3 years(2) | HK$2.84 | 446,200 | 0 | 151,700(6) | 0 | 0 | 294,500 |
| | June 27, 2024 | 3 years(2) | HK$3.379 | 0 | 393,020(5) | 0 | 0 | 0 | 393,020 |
| 3. Other employees | April 29, 2022 | 3 years(3) | HK$2.6 | 14,065,100 | 0 | 7,412,938(6) | 1,122,162 | 1,842,800 | 3,687,200 |
| | October 29, 2022 | 30 months(4) | HK$2.6 | 181,400 | 0 | 90,800(6) | 0 | 2,600 | 88,000 |
| | April 27, 2023 | 3 years(2) | HK$2.84 | 16,726,600 | 0 | 4,264,767(6) | 862,233 | 3,013,500 | 8,586,100 |
| | June 27, 2024 | 3 years(2) | HK$3.379 | 0 | 9,412,720(5) | 0 | 0 | 420,570 | 8,992,150 |
| 4. Service provider (1) | April 29, 2022 | 3 years(3) | HK$2.6 | 379,200 | 0 | 234,480(6) | 65,520 | 0 | 79,200 |
| **Total:** | | | | **35,405,000** | **11,397,590** | **13,599,635** | **2,234,865** | **5,279,470** | **25,688,620** |

## RESTRICTED SHARE UNIT SCHEME *(Continued)*

### 10. Present status of the RSU Scheme *(Continued)*

Notes:

(1) The service providers are all former employees who have accepted re-employment after retirement or who continue to provide consultancy advice to the Company after retirement. The Company values their familiarity with the businesses and operation of the Group and considers that their contribution to the Group is similar to that of the employees of the Group.

(2) Vesting schedule: approximately 34% shall vest on the first anniversary of the grant date/vesting commencement date (as the case may be) and the remaining approximately 33% and approximately 33% shall vest on the second and third anniversary of the grant date/vesting commencement date (as the case may be), respectively.

(3) Vesting schedule: approximately 19% shall vest six months after the grant date and the remaining approximately 33%, 33% and 15% shall vest on the first, second and third anniversary of the grant date, respectively.

(4) Vesting schedule: approximately 34% shall vest six months after the grant date, approximately 33% shall vest eighteen months after the grant date and approximately 33% shall vest thirty months after the grant date, respectively.

(5) The fair value of the RSUs granted and the related accounting standards are set out in Note 27 to the consolidated financial statements. Closing price immediately prior to the grant date is HK$16.84 per Share. The performance target in relation to the grants are those as set forth in "7. Performance targets" above.

(6) Weighted average closing price of the shares immediately before the vesting dates is HK$17.23 per Share.

(7) All RSUs granted to Ms. Sun Yuan (representing 1,300,000 Shares) and Dr. Lyu Aifeng (representing 291,850 Shares), both being executive directors of the Company, mentioned in the announcement dated June 27, 2024 only involve existing shares of the Company held or to be held by the RSU Trustee, and no new shares were or will be allotted or issued for the vesting of the RSUs. The grant of RSUs to them form part of their remuneration package under their service contracts with the Company and are therefore exempted from the reporting, announcement and independent shareholders' approval requirements under Rules 14A.73(6) and 14A.95 of the Listing Rules.

No grant has been made to (i) any related entity participant or service provider with options and awards granted in excess of 0.1% of the Company's issued shares over the 12-month period, and (ii) any other participant with options and awards granted in excess of the 1% individual limit, as such terms are used in the Listing Rules.

## RESTRICTED SHARE UNIT SCHEME *(Continued)*

### 11. Basis for determining purchase price

The Board shall determine the purchase price at a discount with reference to the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for one calendar month immediately preceding the grant date.

### 12. Remaining life of the RSU Scheme

Unless otherwise terminated or amended, the RSU Scheme shall be valid and effective for the period of 10 years commencing on the listing date until June 14, 2029.

## CORPORATE GOVERNANCE

Details of the principal corporate governance practices adopted by the Company are set out in the section of "Corporate Governance Report" of this Annual Report.

## AUDITOR

The consolidated financial statements for the year ended December 31, 2024 have been audited by Ernst & Young, which will retire at the conclusion of the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment. A resolution on the re-appointment of Ernst & Young as the auditor of the Company will be proposed at the AGM. The Company has not changed its auditor in the past 3 years.

For and on behalf of the Board
**Ms. Zhong Huijuan** *(Chairlady and Chief Executive Officer)*

April 21, 2025

# Biographical Details of Directors and Senior Management

## DIRECTORS

### Executive Directors

**Ms. ZHONG Huijuan (鍾慧娟)**, aged 64, is the founder of our Group and currently the chairlady of the Board, chief executive officer and an executive Director of the Company. Ms. Zhong is the chairlady of both the Nomination Committee and the Strategy and Development Committee and a member of the Remuneration Committee. Ms. Zhong was appointed as a Director on December 2, 2015. Ms. Zhong was appointed as a director of Jiangsu Hansoh in September 1998. Ms. Zhong is primarily responsible for our Group's strategic development and planning, overall operations and decision making, board governance and supervision of key management issues. Ms. Zhong is the mother of Ms. Sun.

Ms. Zhong has approximately 30 years of experience in the pharmaceutical industry in China, with substantial experience in pharmaceutical enterprise operation and management, as well as extensive industry knowledge on the development and expansion of our oncology and psychotropic drug portfolio in their respective therapeutic areas. Under Ms. Zhong's leadership, our Group has developed into one of the few R&D-driven pharmaceutical companies with an established leadership position in some of the largest and fastest-growing therapeutic areas in China with significant unmet clinical needs.

Ms. Zhong is Co-President of the Hong Kong Jiangsu Enterprises Association.

Over the years, Ms. Zhong received numerous awards and recognitions for her contributions to both the pharmaceutical industry and pharmaceutical industrial and commercial enterprises. She received State Council Special Allowance in February 2013. In December 2013, she also received the "All China Federation of Industry Commerce Scientific and Technological Progress Award (first prize)" (中華全國工商業聯合會科技進步獎一等獎). In December 2014, Ms. Zhong received the "State Science and Technology Award (second prize)" (國家科技進步獎二等獎) from the State Council.

In July 1982, Ms. Zhong obtained her undergraduate degree in chemistry from Jiangsu Normal University (江蘇師範大學) (formerly known as Xuzhou Normal University (徐州師範學院)) in Xuzhou. She then obtained her EMBA from Nanjing University (南京大學) in December 2005.

**Ms. SUN Yuan (孫遠)**, aged 38, is an executive Director of our Company. Ms. Sun was appointed as a Director on December 2, 2015. Ms. Sun served as a director of Jiangsu Hansoh from October 2011 to October 2019. Ms. Sun is primarily responsible for providing guidance on R&D strategies, business development, investment strategies and the scientific development of our Group, which includes monitoring and introducing latest industry development and pharmaceutical technologies to the Group and exploring overseas business opportunities. Ms. Sun is the daughter of Ms. Zhong.

Ms. Sun has approximately 15 years of experience in healthcare investment management and industry research. Prior to joining our Group in October 2011, Ms. Sun had worked as an analyst in Hony Capital since June 2009.

Ms. Sun received her bachelor's degree in biomedical sciences from Cambridge University in June 2007.

# Biographical Details of Directors and Senior Management

**DIRECTORS** *(Continued)*

**Executive Directors** *(Continued)*

**Dr. LYU Aifeng (呂愛鋒)**, aged 48, is an executive Director of our Company. Dr. Lyu is the chairman of the ESG Committee and a member of the Strategy and Development Committee. Dr. Lyu was appointed as a Director on March 11, 2016, and mainly assists the Chief Executive Officer, Ms. ZHONG Huijuan, in managing the daily business operations of the Company, as well as the operation and management of certain subsidiaries. Dr. Lyu was appointed as president of Jiangsu Hansoh and the executive director of Hansoh Health in December 2015 and September 2019, respectively.

Dr. Lyu has more than 20 years of technical and management experience in R&D and product quality control systems in the pharmaceutical industry. Dr. Lyu joined our Group in July 1998 and has served in various positions, including director of product development in August 2001, and director of research institution in March 2009.

Dr. Lyu is currently the vice chairman of the Professional Committee of Industrial Pharmacy of the Chinese Pharmaceutical Association (中國藥學會工業藥劑學專業委員會) and the vice president of the 8th Council of the China Biochemical Pharmaceutical Industry Association (中國生化製藥工業協會第八屆理事會), and was elected as a representative of the 14th Jiangsu Provincial People's Congress (江蘇省人民代表大會).

Dr. Lyu has obtained numerous awards and recognitions. Dr. Lyu obtained the "State Science and Technology Progress Award (second prize)" (國家科技進步獎二等獎) in 2013 and 2014. Dr. Lyu was recognized as a "Young Expert with Outstanding Contributions" (有突出貢獻的中青年專家) by the People's Government of Jiangsu Province (江蘇省人民政府) in March 2015. He was also chosen for the "100 Million Talents Programme" (國家百千萬人才工程) by the PRC Ministry of Human Resources and Social Security (中華人民共和國人力資源和社會保障部) in October 2017. He was further selected for the "Ten Thousand Talents Programme" (國家萬人計劃) by the PRC Ministry of Science and Technology (中華人民共和國科學技術部) in May 2018.

Dr. Lyu obtained both his bachelor of science degree in chemistry and his master of science degree in organic chemistry from Nanjing University (南京大學), in July 1998 and June 2005, respectively. Dr. Lyu also obtained his doctorate degree in biomedical engineering from Southeast University (東南大學) (formerly known as Nanjing Institute of Technology (南京工學院)) in Nanjing in June 2015.

# Biographical Details of Directors and Senior Management

## DIRECTORS *(Continued)*

### Independent Non-Executive Directors

**Mr. LIN Guoqiang (林國強)**, aged 82, is an independent non-executive Director of our Company. Mr. Lin has been appointed as an independent non-executive Director of our Company with effect from May 31, 2019. Mr. Lin is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Lin is primarily responsible for providing independent opinion and judgment to our Board.

Mr. Lin has more than 50 years of research experience in chemistry. Mr. Lin joined the Shanghai Institute of Organic Chemistry of the Chinese Academy of Sciences (中國科學院上海有機化學研究所) in 1968. He was promoted to researcher of such institute in 1990, served as deputy director from 1988 to 1993 and director of such institute from 1993 to 1999. Mr. Lin was a visiting scholar at the Royal Institute of Technology in Sweden in 1980, and also a visiting scientist at both the University of Pittsburgh and R&D Department of SmithKline in the U.S. in 1986. Since 1992, Mr. Lin has been the director and executive editor of the publication "Tetrahedron/Tetrahedron Letters" in China and served as deputy chief editor of "China Science: Chemistry" (《中國科學: 化學》) from 2008 to 2017. Mr. Lin was also elected as academician of the Chinese Academy of Sciences (中國科學院院士) in 2001.

Mr. Lin has received numerous awards, including State Natural Science Awards and Science Progress Awards. Examples are set out in the table below:

| Honor/Award | Awarding Body | Timing of Granting the Award |
|---|---|---|
| Second Prize of State Natural Science Award of 2016 | State Council | December 2016 |
| Second Prize of State Scientific and Technological Progress Award of 2013 | State Council | December 2013 |
| Third Prize of State Scientific and Technology Progress Award of 1995 | State Scientific and Technological Commission | December 1995 |
| Second Prize of State Scientific and Technology Progress Award of 1987 | State Science & Technology Award Judging Panel | July 1987 |
| Third Prize of State Invention Award of 1987 | State Scientific and Technological Commission | January 1987 |

Mr. Lin obtained his bachelor's degree in organic chemistry from Shanghai University of Science and Technology (上海科學技術大學) in July 1964, and obtained his master's degree in organic chemistry from Shanghai Institute of Organic Chemistry of the Chinese Academy of Sciences (中國科學院上海有機化學研究所) in July 1968.

# Biographical Details of Directors and Senior Management

## **DIRECTORS** *(Continued)*

### **Independent Non-Executive Directors** *(Continued)*

**Mr. CHAN Charles Sheung Wai (陳尚偉)**, aged 71, is an independent non-executive Director of our Company. Mr. Chan has been appointed as an independent non-executive Director of our Company with effect from May 31, 2019. Mr. Chan is the chairman of the Audit Committee and a member of the Strategy and Development Committee, the ESG Committee and the Nomination Committee. Mr. Chan is primarily responsible for providing independent opinion and judgment to our Board.

Mr. Chan has more than 40 years of experience in corporate finance, financial regulations and risk management. Mr. Chan started his career as an auditor at the Canadian office of Arthur Andersen in 1977 and was promoted to partnership in 1988. He subsequently joined the China & Hong Kong office of Arthur Andersen as an audit partner in 1994. From July 2002 to June 2012, Mr. Chan was a partner of the China & Hong Kong office of PricewaterhouseCoopers. Mr. Chan served as a member of the Listing Committee of the Hong Kong Stock Exchange from 1998 to 2001 and also as a member of the Election Committee for the first Legislative Council of Hong Kong in 1998. From 1996 to 1999, Mr. Chan was a council member of the Hong Kong Institute of Certified Public Accountants. He also served as a member of the Accounting Standards Committee, Auditing Standards Committee and the chairman of the China Technical Committee of the Hong Kong Institute of Certified Public Accountants.

Mr. Chan has been an independent non-executive director of Maoyan Entertainment (Stock Code: 1896) and Sun Art Retail Group Limited (Stock Code: 6808), and as an independent director of Shunfeng Holdings Company Limited (stock code: 002352), a company listed on the Shenzhen Stock Exchange. From September 2013 to April 2020, he served as an independent director of Changyou.com Ltd, a company listed on the NASDAQ (Stock Code: CYOU). From May 2016 to May 2019, he served as an independent non-executive director of CITIC Securities Company Limited (Stock Code: 6030), a company listed on the Stock Exchange. From July 2012 to October 2022, he served as an independent non-executive director of SRE Group Limited (Stock Code: 1207), a company listed on the Stock Exchange. From November 2020 to June 2024, he served as an independent non-executive director of Shanghai Bio-heart Biological Technology Co., Ltd. (Stock Code: 2185), a company listed on the Stock Exchange.

In May 1977, Mr. Chan obtained a Bachelor of Commerce degree from the University of Manitoba, in Canada. He is a member of both the Chartered Accountants of Canada and the Hong Kong Institute of Certified Public Accountants.

# Biographical Details of Directors and Senior Management

## DIRECTORS *(Continued)*

### Independent Non-Executive Directors *(Continued)*

**Ms. YANG Dongtao (楊東濤)**, aged 67, is an independent non-executive Director of our Company. Ms. Yang has been appointed as an independent non-executive Director of our Company with effect from May 31, 2019. Ms. Yang is the chairlady of the Remuneration Committee and a member of the Audit Committee, the Strategy and Development Committee and the ESG Committee. Ms. Yang is primarily responsible for providing independent opinion and judgment to our Board.

Ms. Yang has over 40 years of experience in the field of education. She was a teaching assistant at the Department of Chemical Machinery of the East China University of Science and Technology (華東理工大學化工機械系) from January 1982 to May 1983. She was also a lecturer from May 1983 to March 1992, an Associate Professor from March 1992 to March 1999, and a professor from March 1999 to February 2007 at the Management Department of Nanjing University School of Business (南京大學商學院管理學系). Ms. Yang has been a professor of the Human Resources Management Department of Nanjing University School of Business (南京大學商學院人力資源管理系) since February 2007, and retired from Nanjing University School of Business in December 2023. Since May 2016 to June 2021, she has also been the vice president of the Jiangsu Province Human Resources Society (江蘇省人力資源學會).

Ms. Yang is currently an independent director of Nanjing Chixia Development Co., Ltd.* (南京棲霞建設股份有限公司) (Stock Code: 600533), a company listed on the Shanghai Stock Exchange, an independent director of Wuxi Rural Commercial Bank Co., Ltd. (無錫農村商業銀行股份有限公司) (Stock Code: 600908), a company listed on the Shanghai Stock Exchange, and was an independent director of Jiangsu Novoray New Materials Co., Ltd. (江蘇聯瑞新材料股份有限公司) (Stock Code: 688300) from May 2017 to February 2021 and Perfect Group Corp., Ltd. (倍加潔集團股份有限公司) (Stock Code: 603059) from October 2016 to September 2022, both are companies listed on the Shanghai Stock Exchange.

Ms. Yang received her bachelor of engineering from Southeast University (東南大學) (formerly known as Nanjing Institute of Technology (南京工學院)) in Nanjing in July 1982. She obtained both her master's degree in economics and her doctorate degree in corporate management from Nanjing University (南京大學) in February 1992 and December 1998, respectively.

# Biographical Details of Directors and Senior Management

## SENIOR MANAGEMENT

The members of our senior management team and details of each of their experience are as follows:

**Dr. LEE Chih-Hung (李志宏)**, aged 65, is the chief science officer of the Group, responsible for the Group's global innovative drug research and development. Dr. Lee joined the Group in April 2022 and was appointed to his current position.

Dr. Lee has more than 30 years of extensive management experience in the field of BIC/FIC drug research and development. Before joining the Group, Dr. Lee served as a senior director of Abbott/AbbVie from December 1992 to April 2022, responsible for innovative drug research and development in multiple therapeutic areas (oncology, immunology, neuroscience, pain, liver, kidney, dermatology and anti-aging), and he was involved in the establishment of the Kidney Disease Research Centre and the US West Coast Oncology Research Centre during his tenure at AbbVie.

Dr. Lee obtained the doctoral degree in organic chemistry from the The University of Chicago in 1990 and his MBA from Lake Forest Graduate School in 2013.

**Dr. SUN Weiyong (孫偉勇)**, aged 54, is the chief business officer of the Group, responsible for the Group's global business development. Dr. Sun joined the Group in March 2021 and was appointed to his current position.

Dr. Sun has more than 20 years of extensive experience in the field of medicine and BD. Before joining the Group, Dr. Sun served as a senior director of Daiichi Sankyo Company, Limited from April 2002 to March 2021, responsible for BD and innovative drug research and development in the United States and Japan respectively. From December 2000 to October 2001, he worked as a postdoctoral fellow at the Medical College of Wisconsin in the United States.

Dr. Sun obtained a bachelor's degree in clinical medicine from Beijing Medical University (北京醫科大學) (currently known as Peking University Health Science Center (北京大學醫學部)) in July 1993, and master's and doctoral degrees from the Cell Biochemistry Laboratory of the University of Tokyo in March 1999 and March 2002 respectively. He obtained a master's degree in business administration from Columbia University in May 2015.

# Biographical Details of Directors and Senior Management

## SENIOR MANAGEMENT *(Continued)*

**Dr. Zhang Xiaoqing (張曉青),** aged 51, is the chief medical officer of the Group, responsible for the global clinical R&D management of innovative drugs of the Group. Dr. Zhang joined our Group in March 2024 and was appointed to her current position.

Dr. Zhang has nearly 20 years of rich leadership experience in the field of innovative drug clinical R&D. From August 2005 to July 2023, Dr. Zhang held various positions in the Greater China R&D departments and global headquarters of MSD, Lilly, and BMS, including clinical research physician, global clinical development leader in the field of oncology, and Six Sigma Black Belt, and she was responsible for formulating and executing oncology clinical development strategies, optimizing pipeline strategies, and managing project changes and innovations of innovative drugs at all stages. Prior to joining our group, Dr. Zhang served as the clinical vice president of oncology at Kelun-Biotech from July 2023 to March 2024, responsible for the clinical development of ADC pipelines and related international project collaborations. Before entering the pharmaceutical industry, Dr. Zhang had five years of practical experience as a clinical physician.

Dr. Zhang obtained a bachelor's degree in clinical medicine and a master's degree in surgical oncology from the Medical School of Nantong University (南通大學醫學院) in July 1997 and July 2002, respectively. She obtained a doctorate degree in surgical oncology from Shanghai Jiao Tong University School of Medicine (上海交通大學醫學院) in July 2005 and an MBA from the Wharton School of the University of Pennsylvania in August 2022.

**Dr. Jiang Shan (江山),** aged 55, is the chief technology officer of the Group. She is responsible for Shanghai Hansoh biopharmaceutical R&D Center, Changzhou Hansoh biopharmaceutical production department, and is in charge of the Group's biopharmaceutical development and production operations.

Dr. Jiang joined the Group in August 2024 and was appointed to her current position. Dr. Jiang has over 25 years of rich experience in the fields of biopharmaceuticals and ADC development. Prior to joining our Group, Dr. Jiang served as vice president of Pfizer from December 2023 to May 2024, responsible for the management of the Pharmaceutical Science Biotherapeutics department. From July 2008 to December 2023, she held positions ranging from director to vice president at Seagen, and was fully responsible for the development of large molecule pipelines. Dr. Jiang previously held R&D management positions at Bayer and BMS.

Dr. Jiang obtained a bachelor's degree in basic medical sciences from Beijing Medical University (北京醫科大學) (currently known as Peking University Health Science Center (北京大學醫學部)) in July 1993, and a doctorate degree in industrial and physical pharmacy from Purdue University in May 1998.

# Biographical Details of Directors and Senior Management

**SENIOR MANAGEMENT** *(Continued)*

**Mr. XU Chuanhe (徐傳合)**, aged 61, is a senior vice president of our Group and has been appointed to this position since March 2009. Mr. Xu is primarily responsible for matters related to business management of our Group.

Mr. Xu has more than 20 years of experience in pharmaceutical sales management. Mr. Xu joined our Group in August 1997 and was appointed as deputy general manager of the sales division in October 1997.

Mr. Xu obtained his bachelor of science degree from China Pharmaceutical University (中國藥科大學) (formerly known as Nanjing Medical College (南京藥學院)) in Nanjing in July 1985 and his EMBA from Wuhan University (武漢大學) in December 2008.

**Mr. HU Min (胡旻)**, aged 48, is a chief financial officer of the Group. Mr. Hu joined our Group in September 2019 and was appointed to his current position.

Mr. Hu has years of experience in finance, auditing, consulting and capital markets in the pharmaceutical and healthcare industries. Before joining our Group, Mr. Hu served as an audit partner for the pharmaceutical and healthcare industries at Deloitte Touche Tohmatsu China. Mr. Hu holds qualifications of certified public accountant of China and the United States.

Mr. Hu obtained his bachelor of economics from Xiamen University (廈門大學) in July 1999.

**Mr. LU Yifeng (陸一峰)**, aged 51, is the vice president of the Group, responsible for the Group's production operations and import and export business of APIs. Mr. Lu joined the Group in September 2023 and was appointed to his current position.

Mr. Lu has more than 20 years of extensive experience in production and marketing management. Before joining the Group, Mr. Lu served as the president of Changjiang Runfa Health Industry Co., Ltd. from 2016 to 2023, responsible for the general management and in charge of the operation of the pharmaceutical business. From 2013 to 2016, he worked as an executive vice president with the VMR Group in the United States. He also held management positions with the Danaher Group and the Ecolab Group in the United States.

Mr. Lu obtained a bachelor's degree in mechanical engineering from Tsinghua University (清華大學) in June 1997 and an MBA degree from the University of Illinois Urbana-Champaign in the United States in June 2003.

# Biographical Details of Directors and Senior Management

## JOINT COMPANY SECRETARIES

**Ms. ZHONG Shengli (鍾勝利),** aged 57, has served as a joint company secretary and a senior vice president of our Group since August 2018 and March 2012, respectively.

Ms. Zhong Shengli joined our Group in July 2010 as an investment director and was responsible for investment management.

Before joining our Group, Ms. Zhong Shengli served as a senior manager for Ping An Bank with more than ten years of work experience in financial institutions.

Ms. Zhong Shengli obtained her bachelor of arts degree from Beijing Foreign Studies University (北京外國語大學) (formerly known as Beijing Foreign Studies College (北京外國語學院)) in July 1991 and her master degree in economics from Peking University (北京大學) in January 2007. Ms. Zhong Shengli is an Affiliated Person of Hong Kong Chartered Governance Institute ("**HKCGI**") (formerly "The Hong Kong Institute of Chartered Secretaries").

**Ms. WONG Yuen Ki (黃涴琪)** is a senior manager of corporate services of Tricor Services Limited. Ms. Wong possesses more than 10 years of experience in the company secretarial field. Ms. Wong is a Chartered Secretary, a Chartered Governance Professional and an associate of both HKCGI and The Chartered Governance Institute. Ms. Wong holds a degree of Bachelor of Business Administration in Corporate Administration and degree of Master of Corporate Governance from Hong Kong Metropolitan University (formerly The Open University of Hong Kong).

# Independent Auditor's Report

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**To the shareholders of Hansoh Pharmaceutical Group Company Limited**
(Incorporated in the Cayman Islands with limited liability)

## OPINION

We have audited the consolidated financial statements of Hansoh Pharmaceutical Group Company Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 75 to 155, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended 31 December 2024, and notes to the consolidated financial statements, including material accounting policy information.

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

## BASIS FOR OPINION

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

## KEY AUDIT MATTERS

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

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

| Key audit matter | How our audit addressed the key audit matter |
| --- | --- |
| ***Expected credit losses on trade receivables***<br>As at 31 December 2024, the Group's net trade receivables amounted to approximately RMB3,127,479,000, which represented approximately 10% of the total assets of the Group.<br><br>According to Hong Kong Financial Reporting Standard 9 *Financial Instruments* ("**HKFRS 9**"), a forward-looking ECL approach was applied by the Group. The measurement of ECLs involves significant judgement and assumptions used in the ECL approach as the ECLs should reflect information about past events, current conditions and forecasts of future conditions, as well as the time value of money.<br><br>The Group's disclosures about the ECLs on the trade receivables are included in Note 2.4 material accounting policies, Note 3 significant accounting judgements and estimates, Note 17 trade and bills receivables and Note 34 financial instruments by category, to the consolidated financial statements, which specifically disclose the accounting policies, management's judgements and estimates, and the overdue receivables and the related provision. | Our procedures in relation to management's assessment of ECLs on trade receivables included:<br><br>– Obtained an understanding of relevant controls that the Group had implemented to manage and monitor its credit risk;<br><br>– Inquired of management about the status of each of the material balances of trade receivables which was past due as at year end and assessed the reasonableness of management's grouping of various customers by searching their credit profiles, understanding on-going business relationships, and checking historical and subsequent settlement records;<br><br>– With the assistance of our internal valuation specialists, assessed the appropriateness of the valuation methodology and key assumptions adopted by management in determining ECLs on the trade receivables; and<br><br>– Tested the inputs used by management to prepare the provision matrix, including the ageing and historical collection records of trade receivables by comparing individual items in the analysis, on a sampling basis, to supporting billings and collections.<br><br>We also read and assessed the relevant disclosures made in the consolidated financial statements, including disclosures of the basis for the estimation. |

## OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

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

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# Independent Auditor's Report

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

The engagement partner on the audit resulting in this independent auditor's report is Siu Fung Terence Ho.

*Ernst & Young*
Certified Public Accountants
Hong Kong

21 March 2025

# Consolidated Statement of Profit or Loss

Year ended 31 December 2024

| | Notes | 2024 RMB'000 | 2023 RMB'000 |
|---|---|---|---|
| **REVENUE** | 5 | **12,260,814** | 10,103,806 |
| Cost of sales | | **(1,105,408)** | (1,030,863) |
| **Gross profit** | | **11,155,406** | 9,072,943 |
| Other income | 5 | **1,133,336** | 1,125,424 |
| Selling and distribution expenses | | **(3,795,848)** | (3,531,163) |
| Administrative expenses | | **(712,546)** | (709,844) |
| Research and development costs | | **(2,701,650)** | (2,097,046) |
| Other gains/(expenses), net | 5 | **13,173** | (27,480) |
| Finance costs | 7 | **(6,689)** | (66,679) |
| **PROFIT BEFORE TAX** | 6 | **5,085,182** | 3,766,155 |
| Income tax expense | 10 | **(713,357)** | (488,652) |
| **PROFIT FOR THE YEAR** | | **4,371,825** | 3,277,503 |
| Attributable to owners of the parent | | **4,371,825** | 3,277,503 |
| **EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT** | 12 | | |
| Basic (RMB) | | **0.74** | 0.55 |
| Diluted (RMB) | | **0.73** | 0.52 |

# Consolidated Statement of Comprehensive Income

Year ended 31 December 2024

| | 2024<br>*RMB'000* | 2023<br>*RMB'000* |
|---|---|---|
| **PROFIT FOR THE YEAR** | **4,371,825** | 3,277,503 |
| **OTHER COMPREHENSIVE INCOME** | | |
| Other comprehensive income that may be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translation of foreign operations | **234,447** | 427,921 |
| Net other comprehensive income that may be reclassified to profit or loss in subsequent periods | **234,447** | 427,921 |
| **OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX** | **234,447** | 427,921 |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | **4,606,272** | 3,705,424 |
| Attributable to owners of the parent | **4,606,272** | 3,705,424 |

# Consolidated Statement of Financial Position

31 December 2024

| | Notes | **2024** | 2023 |
|---|---|---|---|
| | | ***RMB'000*** | *RMB'000* |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 13 | **2,804,765** | 3,045,060 |
| Right-of-use assets | 14(a) | **442,405** | 234,663 |
| Intangible assets | 15 | **245,286** | 177,416 |
| Financial assets at fair value through profit or loss | 19 | **702,283** | 684,706 |
| Prepayments for purchase of property, plant and equipment | | **21,315** | 13,927 |
| **Total non-current assets** | | **4,216,054** | 4,155,772 |
| **CURRENT ASSETS** | | | |
| Inventories | 16 | **651,224** | 575,782 |
| Trade and bills receivables | 17 | **3,169,763** | 3,214,251 |
| Prepayments, other receivables and other assets | 18 | **234,537** | 236,208 |
| Financial assets at fair value through profit or loss | 19 | **17,237** | 512,409 |
| Other financial assets | 20 | **747,468** | 1,909,966 |
| Cash and bank balances | 21 | **22,621,566** | 22,434,691 |
| **Total current assets** | | **27,441,795** | 28,883,307 |
| **CURRENT LIABILITIES** | | | |
| Trade and bills payables | 22 | **217,851** | 163,763 |
| Other payables and accruals | 23 | **2,354,591** | 2,375,680 |
| Contract liabilities | 24 | **19,227** | 38,471 |
| Convertible bonds | 26 | **40,874** | 4,183,198 |
| Lease liabilities | 14(b) | **16,006** | 16,087 |
| Tax payable | | **46,669** | 85,650 |
| **Total current liabilities** | | **2,695,218** | 6,862,849 |
| **NET CURRENT ASSETS** | | **24,746,577** | 22,020,458 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **28,962,631** | 26,176,230 |
| **NON-CURRENT LIABILITIES** | | | |
| Convertible bonds | 26 | – | 39,742 |
| Lease liabilities | 14(b) | **61,013** | 64,708 |
| Deferred tax liabilities | 25 | **200,189** | 255,020 |
| Other non-current liabilities | | **21,515** | 21,987 |
| **Total non-current liabilities** | | **282,717** | 381,457 |
| **NET ASSETS** | | **28,679,914** | 25,794,773 |

# Consolidated Statement of Financial Position

31 December 2024

| | Notes | 2024<br>*RMB'000* | 2023<br>*RMB'000* |
|---|---|---|---|
| **EQUITY** | | | |
| **Equity attributable to owners of the parent** | | | |
| Share capital | 28 | **52** | 52 |
| Treasury shares | 29 | **(13,215)** | (108,629) |
| Reserves | 30 | **28,693,077** | 25,903,350 |
| **Total equity** | | **28,679,914** | 25,794,773 |

Name of director
Director

Name of director
Director

# Consolidated Statement of Changes in Equity

Year ended 31 December 2024

| | Notes | Share capital Note 28 RMB'000 | Share premium* Note 30(a) RMB'000 | Share-based payment reserve* Note 27 RMB'000 | Treasury shares Note 29 RMB'000 | Merger reserve/other reserve* Note 30(b) RMB'000 | Exchange fluctuation reserve* Note 30(c) RMB'000 | Statutory surplus reserves* Note 30(d) RMB'000 | Retained profits* RMB'000 | Total equity RMB'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **At 1 January 2024** | | **52** | **14,095,522** | **325,347** | **(108,629)** | **(59,391)** | **136,922** | **898,586** | **10,506,364** | **25,794,773** |
| Profit for the year | | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **4,371,825** | **4,371,825** |
| Exchange differences on translation of foreign operations | | **–** | **–** | **–** | **–** | **–** | **234,447** | **–** | **–** | **234,447** |
| Total comprehensive income for the year | | **–** | **–** | **–** | **–** | **–** | **234,447** | **–** | **4,371,825** | **4,606,272** |
| Issuance of new shares under share award scheme | | **–** | **5,428** | **–** | **–** | **–** | **–** | **–** | **–** | **5,428** |
| Subscription of shares under share award scheme | | **–** | **(100,965)** | **–** | **128,723** | **–** | **–** | **–** | **–** | **27,758** |
| Share-based payments | 27 | **–** | **–** | **137,725** | **–** | **–** | **–** | **–** | **–** | **137,725** |
| Repurchase of shares under share award scheme | 29 | **–** | **–** | **–** | **(33,693)** | **–** | **–** | **–** | **–** | **(33,693)** |
| Dividends declared | 11 | **–** | **–** | **–** | **384** | **–** | **–** | **–** | **(1,858,733)** | **(1,858,349)** |
| Transfer from retained profits | | **–** | **–** | **–** | **–** | **–** | **–** | **8,195** | **(8,195)** | **–** |
| **At 31 December 2024** | | **52** | **13,999,985** | **463,072** | **(13,215)** | **(59,391)** | **371,369** | **906,781** | **13,011,261** | **28,679,914** |

| | Notes | Share capital Note 28 RMB'000 | Share premium* Note 30(a) RMB'000 | Share-based payment reserve* Note 27 RMB'000 | Treasury shares Note 29 RMB'000 | Merger reserve/other reserve* Note 30(b) RMB'000 | Exchange fluctuation reserve* Note 30(c) RMB'000 | Statutory surplus reserves* Note 30(d) RMB'000 | Retained profits* RMB'000 | Total equity RMB'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **At 1 January 2023** | | 52 | 13,931,541 | 313,478 | (28,027) | (59,391) | (290,999) | 890,179 | 7,890,111 | 22,646,944 |
| Profit for the year | | – | – | – | – | – | – | – | 3,277,503 | 3,277,503 |
| Exchange differences on translation of foreign operations | | – | – | – | – | – | 427,921 | – | – | 427,921 |
| Total comprehensive income for the year | | – | – | – | – | – | 427,921 | – | 3,277,503 | 3,705,424 |
| Issuance of new shares under share award scheme | | – | 25,227 | – | – | – | – | – | – | 25,227 |
| Subscription of shares under share award scheme | | – | 138,754 | (159,496) | 33,502 | – | – | – | – | 12,760 |
| Share-based payments | 27 | – | – | 171,365 | – | – | – | – | – | 171,365 |
| Repurchase of shares under share award scheme | 29 | – | – | – | (114,865) | – | – | – | – | (114,865) |
| Dividends declared | 11 | – | – | – | 761 | – | – | – | (652,843) | (652,082) |
| Transfer from retained profits | | – | – | – | – | – | – | 8,407 | (8,407) | – |
| **At 31 December 2023** | | 52 | 14,095,522 | 325,347 | (108,629) | (59,391) | 136,922 | 898,586 | 10,506,364 | 25,794,773 |

* These reserve accounts comprise the consolidated reserves of RMB28,693,077,000 (2023: RMB25,903,350,000) in the consolidated statement of financial position.

# Consolidated Statement of Cash Flows

Year ended 31 December 2024

| | Notes | **2024** | 2023 |
|---|---|---|---|
| | | ***RMB'000*** | *RMB'000* |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit before tax | | **5,085,182** | 3,766,155 |
| Adjustments for: | | | |
| Impairment of trade receivables, net | 5 | **(18,179)** | 22,383 |
| Impairment of inventories, net | 5 | **11,289** | 1,645 |
| Impairment of property, plant and equipment | 5 | **31,976** | – |
| Depreciation of items of property, plant and equipment | 6 | **362,335** | 334,869 |
| Depreciation of right-of-use assets | 6 | **25,777** | 20,750 |
| Amortisation of deferred income | | **(472)** | (472) |
| Amortisation of intangible assets | 6 | **13,237** | 10,762 |
| Gain on disposal of items of property, plant and equipment | 5 | **(5,721)** | (2,103) |
| Loss on derecognition of financial assets at amortised cost | 5 | **17,143** | 3,346 |
| Gain on disposal of associates | 5 | **–** | (10,776) |
| Share of losses of associates | 5 | **–** | 2,123 |
| Fair value gains of financial assets at fair value through profit or loss | 5 | **(78,410)** | (150,794) |
| Loss resulting from derecognition of convertible bonds | 5 | **–** | 134,712 |
| Investment income | 5 | **(50,723)** | (115,166) |
| Interest income from deposits with initial terms of over three months when acquired | | **(904,487)** | (806,664) |
| Finance costs | 7 | **6,689** | 66,679 |
| Share-based payments | 6 | **137,725** | 171,365 |
| | | **4,633,361** | 3,448,814 |
| Decrease in trade and bills receivables | | **62,667** | 341,758 |
| Decrease/(increase) in prepayments, other receivables and other assets | | **1,671** | (54,322) |
| Increase in inventories | | **(86,731)** | (129,537) |
| Increase/(decrease) in trade and bills payables | | **54,088** | (58,533) |
| Increase in other payables and accruals | | **23,712** | 144,492 |
| (Decrease)/increase in contract liabilities | | **(19,244)** | 13,374 |
| Cash generated from operations | | **4,669,524** | 3,706,046 |
| Income tax paid | | **(807,169)** | (589,578) |
| Net cash flows from operating activities | | **3,862,355** | 3,116,468 |

# Consolidated Statement of Cash Flows

Year ended 31 December 2024

| | Notes | 2024<br>*RMB'000* | 2023<br>*RMB'000* |
|---|---|---|---|
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Proceeds from disposal of items of property, plant and equipment | | **23,955** | 10,963 |
| Disbursement of derecognition of financial assets at amortised cost | | **(17,143)** | (3,346) |
| Proceeds from disposal of shareholdings in associates | | **–** | 249,724 |
| Purchases of items of property, plant and equipment | | **(221,964)** | (219,598) |
| Purchases of intangible assets | | **(83,303)** | (142,926) |
| Purchases of land use rights | | **(219,668)** | – |
| Purchases of equity investments designated at fair value through profit or loss | | **(108,571)** | (238,903) |
| Increase in bank deposits with initial term of over three months when acquired | | **(3,555,839)** | (987,393) |
| Decrease/(increase) of financial products included in other financial assets | | **1,198,772** | (401,753) |
| Decrease of financial products included in financial assets at fair value through profit or loss | | **495,000** | 2,029,209 |
| Interest income received from deposits with initial terms of over three months when acquired | | **875,886** | 541,621 |
| Investment income received from financial products included in other financial assets | | **50,723** | 115,166 |
| Investment income received from financial products included in financial assets at fair value through profit or loss | | **170,360** | 121,208 |
| Net cash flows (used in)/from investing activities | | **(1,391,792)** | 1,073,972 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Repayment of convertible bonds | 26 | **(4,183,198)** | – |
| Proceeds from employees for subscription of shares under share award scheme | | **33,186** | 37,987 |
| Dividends paid | | **(1,858,348)** | (652,082) |
| Lease payments | | **(20,685)** | (18,963) |
| Repurchase of shares under share award scheme | | **(33,693)** | (114,865) |
| New bank loans | | **500,000** | 900,000 |
| Repayment of bank loans | | **(500,000)** | (900,000) |
| Interest paid | | **(3,207)** | (5,772) |
| Net cash flows used in financing activities | | **(6,065,945)** | (753,695) |
| **NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS** | | **(3,595,382)** | 3,436,745 |
| Cash and cash equivalents at beginning of year | | **5,980,513** | 2,666,132 |
| Effect of foreign exchange rate changes, net | | **(62,430)** | (122,364) |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | | **2,322,701** | 5,980,513 |
| **ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS** | | | |
| Cash and bank balances | 21 | **2,101,651** | 2,246,714 |
| Non-pledged time deposits with original maturity of less than three months when acquired | 21 | **221,050** | 3,733,799 |
| Cash and cash equivalents as stated in the consolidated statement of cash flows | | **2,322,701** | 5,980,513 |

## 1. CORPORATE AND GROUP INFORMATION

The Company is an exempted company incorporated in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands. The registered address of the Company is the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The holding company of the Company is Stellar Infinity Company Ltd. and the ultimate parent company of the Company is Harmonia Holding Investing (PTC) Limited. Both Stellar Infinity Company Ltd. and Harmonia Holding Investing (PTC) Limited are incorporated in The British Virgin Islands.

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 14 June 2019.

The Company is an investment holding company. The Group was principally engaged in the research and development, production and sale of a series of pharmaceutical products in the PRC.

As at the date of this report, the Company has direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong).

Particulars of the principal subsidiaries now comprising the Group are set out below:

| Company name | Place of incorporation/ registration and operation | Issued ordinary/ registered share capital | Date of incorporation | Percentage of equity attributable to the Company | | Principal activities |
|---|---|---|---|---|---|---|
| | | | | Direct | Indirect | |
| Jiangsu Hansoh Pharmaceutical Group Co., Ltd. ("**Jiangsu Hansoh**") | PRC/ Chinese Mainland | RMB 1,000,000,000 | July 1995 | – | 100% | Pharmaceutical |
| Shanghai Hansoh Biomedical Co., Ltd. ("**Shanghai Hansoh**") | PRC/ Chinese Mainland | RMB 260,000,000 | October 2011 | – | 100% | Pharmaceutical |
| Hansoh Pharma International Limited ("**Hansoh International**") | PRC/ Hong Kong | HK$100 | December 2015 | – | 100% | Investment holding and trading |
| Hansoh (Shanghai) Healthtech Co., Ltd. ("**Hansoh Health**") | PRC/ Chinese Mainland | US$90,000,000 | September 2019 | – | 100% | Investment holding and trading |
| Changzhou Hansoh Pharmaceutical Co., Ltd. ("**Changzhou Hansoh**") | PRC/ Chinese Mainland | RMB 100,000,000 | April 2018 | – | 100% | Pharmaceutical |

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year ended 31 December 2024 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.

During the reporting period, seven subsidiaries were controlled by agreements ("**VIE**"), which are not listed in the above table because they did not principally affect the results for the year ended 31 December 2024 or form a substantial portion of the net assets of the Group.

## 2. ACCOUNTING POLICIES

### 2.1 BASIS OF PREPARATION

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

#### Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

## 2.1 BASIS OF PREPARATION *(Continued)*

**Basis of consolidation** *(Continued)*

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

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

The nature and the impact of the revised HKFRS Accounting Standards that are applicable to the Group are described below:

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

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

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

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

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

## 2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS

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

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

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

## 2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS *(Continued)*

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

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

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

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

## 2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS *(Continued)*

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

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

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

## 2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS *(Continued)*

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

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

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

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

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

## 2.4 MATERIAL ACCOUNTING POLICIES

**Fair value measurement**

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

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

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

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

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

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

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

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

## 2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

### Impairment of non-financial assets

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

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

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

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

## 2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

### Related parties

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

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

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

(vi) the entity is controlled or jointly controlled by a person identified in (a);

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

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

## 2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

**Property, plant and equipment and depreciation**

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

| | |
|---|---|
| Buildings | 20-30 years |
| Leasehold improvements | Over the shorter of the lease terms and 5 years |
| Machinery and equipment | 3-10 years |
| Computer and office equipment | 3-5 years |
| Motor vehicles | 4 years |

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

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

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

## 2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

**Intangible assets (other than goodwill)**

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

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

*Patents*

Purchased patents are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 years.

*Research and development costs*

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

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

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

*Acquired in-process research and development costs*

The Group has acquired rights to develop and commercialise product candidates. Upfront payments that relate to the acquisition of a new drug compound, as well as pre-commercial milestone payments are recognized in line with the Group's accounting policies for capitalisation of research and development costs. If the costs have not yet reached capitalisation timing, the Group should charge them to the statement of profit or loss as incurred, unless there is conclusive evidence that these product candidates could be sold probably giving rising to economic benefits for the Group in the future. Royalties owed on sales of the products licensed pursuant to the agreements are expensed in the period the related revenues are recognised.

## 2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

**Leases**

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

*Group as a lessee*

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

(a) Right-of-use assets

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

| | |
|---|---|
| Leasehold land | 50 years |
| Property | 3-12 years |

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

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating 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 expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

## 2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

**Leases** *(Continued)*

*Group as a lessee (Continued)*

(b) Lease liabilities *(Continued)*

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 the lease payments (e.g., changes to future payments resulting from a change in an index or rate) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are presented in separate lines on the consolidated statement of financial position.

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

The Group applies the short-term lease recognition exemption to its short-term leases of 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 lease of low-value assets to leases of office equipment that is considered to be low value.

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

## 2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

### Investments and other financial assets

*Initial recognition and measurement*

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under 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, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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

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

## 2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

### Investments and other financial assets *(Continued)*

*Subsequent measurement*

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

*Financial assets at amortised cost (debt instruments)*

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

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

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

*Financial assets 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 the equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

### Derecognition of financial assets

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

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

## 2.4 MATERIAL ACCOUNTING POLICIES *(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*

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

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

The Group considers a financial asset in default when contractual payments are 1 year past due. The Group has rebutted the 90 days past due presumption of default based on reasonable and supportable information, including the Group's credit risk control practices and the historical recovery rate of financial assets over 90 days past due. However, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

## 2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

**Impairment of financial assets** *(Continued)*

*General approach (Continued)*

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. Debt investments graded in the top investment categories (Very Good and Good) by the Chinese Credit Rating Agency are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk of debt investments since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from the Chinese Credit Rating Agency both to determine whether the credit risk of debt instruments have significantly increased and to estimate ECLs.

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

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

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

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

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

*Simplified approach*

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

## 2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

**Financial liabilities**

*Initial recognition and measurement*

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

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

The Group's financial liabilities include trade and bill payables, convertible bonds and other payables and accruals.

*Subsequent measurement*

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

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

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

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

*Convertible bonds*

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption.

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

## 2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

### 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 asset and settle the liabilities simultaneously.

### Treasury shares

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

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined 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. Net realisable value is based on estimated selling price less any estimated costs to be incurred to completion and disposal. If the cost of inventories is higher than the net realisable value, the provision of inventories is recognised in profit or loss.

### Cash and cash equivalents

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

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

## 2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

### Provisions

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

When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

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

### Income tax

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

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

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

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

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

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

## 2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

**Income tax** *(Continued)*

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

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

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

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

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

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

**Government grants**

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

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

## 2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

### Revenue recognition

*Revenue from contracts with customers*

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

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

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

*(a) Sale of pharmaceutical products*

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

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

## 2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

**Revenue recognition** *(Continued)*

*Revenue from contracts with customers (Continued)*

(b) *Collaboration arrangements*

The Group's collaborative arrangements may contain more than one performance obligation, including grants of licenses to intellectual property rights, agreement to provide research and development services and other deliverables. The collaborative arrangements do not include a right of return for any deliverable. As part of the accounting for these arrangements, the Group must develop assumptions that require judgement to determine the stand-alone selling price for each performance obligation identified in the contract. In developing the stand-alone selling price for a performance obligation, the Group considers competitor pricing for a similar or identical product, market awareness of and perception of the product, expected product life and current market trends. In general, the consideration allocated to each performance obligation is recognised when the respective obligation is satisfied either by delivering a good or providing a service, limited to the consideration that is not constrained. Non-refundable payments received before all of the relevant criteria for revenue recognition are satisfied are recorded as advances from customers.

*Licenses of intellectual property:* Upfront non-refundable payments for licensing the Group's intellectual property are evaluated to determine if the license is distinct from the other performance obligations identified in the arrangement. For licenses determined to be distinct, the Group recognises revenues from non-refundable, up-front fees allocated to the license at a point in time, when the license is transferred to the licensee and the licensee is able to use and benefit from the license.

*Research and development services:* The portion of the transaction price allocated to research and development service performance obligations is recognised as collaboration revenue at a point in time upon delivery of such services.

*Milestone payments:* At the inception of each arrangement that includes development milestone payments, the Group evaluates whether the milestones are considered probable of being reached and estimates the amount to be included in the transaction price using the most likely amount method. If it is probable that a significant revenue reversal would not occur, the associated milestone value is included in the transaction price. Milestones related to the development-based activities may include initiation of various phases of clinical trials. Due to the uncertainty involved in meeting these development-based targets, they are generally fully constrained at contract inception. The Group will assess whether the variable consideration is fully constrained in each reporting period based on the facts and circumstances surrounding the clinical trials. Upon changes to the constraint associated with the developmental milestones, variable consideration will be included in the transaction price when a significant reversal of revenue recognised is not expected to occur and allocated to the separate performance obligations. Regulatory milestones are fully constrained until the period in which those regulatory approvals are achieved due to the inherent uncertainty with the approval process. Regulatory milestones are included in the transaction price in the period in which regulatory approval is obtained.

## 2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

### **Revenue recognition** *(Continued)*

*Revenue from contracts with customers (Continued)*

*(b) Collaboration arrangements (Continued)*

*Royalties:* For arrangements that include sales-based royalties, including milestone payments based on the level of sales, and the license is deemed to be the predominant item to which the royalties relate, the Group recognises revenue at the later of (i) when the related sales occur, and (ii) when the performance obligation to which some or all of the royalty has been allocated has been satisfied (or partially satisfied).

*Other income*

Rental income is recognised on a time proportion basis over the lease terms.

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

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

### **Contract liabilities**

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

### **Share-based payments**

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

## 2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

**Share-based payments** *(Continued)*

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

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

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

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

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

## 2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

### Other employee benefits

*Pension scheme*

The employees of the Group's subsidiaries which operates in Chinese Mainland are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their 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.

### Events after the reporting period

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

### Dividends

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

### Foreign currencies

These financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

## 2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

**Foreign currencies** *(Continued)*

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 non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item.

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

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

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

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the average exchange rates for the year.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

**Estimation uncertainty**

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

*Provision for expected credit losses on trade receivables*

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

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

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

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

**Estimation uncertainty** *(Continued)*

*Fair value measurements of financial instruments in Level 3*

Unlisted equity investments amounting to RMB702,283,000 as at 31 December 2024 (31 December 2023: RMB684,706,000) are measured at fair values with fair values being determined based on unobserved inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these investments. Further disclosures are detailed in Notes 19 and 35.

*Fair value of restricted share units*

Estimating the fair value of restricted share units requires the determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires the determination of the most appropriate inputs to the valuation model including the expected life of the restricted share units, volatility and dividend yield and making assumptions about them. For the measurement of the fair value of share-based payments transactions with employees at the grant date, the Group uses a binomial model. The assumptions and models used for estimating the fair value for share-based payment transactions are disclosed in Note 27 to the financial statements.

*Research and development costs*

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

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

**Estimation uncertainty** *(Continued)*

*Impairment of non-financial assets (other than goodwill)*

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

## 4. OPERATING SEGMENT INFORMATION

**Information about geographical areas**

Since over 80% of the Group's revenue were generated from the sale of pharmaceutical products in Chinese Mainland and most of the Group's identifiable operating assets and liabilities were located in Chinese Mainland, no geographical segment information in accordance with HKFRS 8 *Operating Segments* is presented.

**Information about major customers**

Collaboration revenue from GlaxoSmithKline Intellectual Property (No.4) Limited amounted to approximately 12% of the Group's revenue. No other revenue from the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the reporting period.

## 5. REVENUE, OTHER INCOME AND OTHER GAINS/(EXPENSES), NET

An analysis of revenue, other income and other gains/(expenses), net is as follows:

| | **2024** *RMB'000* | 2023 *RMB'000* |
|---|---|---|
| **Revenue from contracts with customers** | | |
| Sales of goods – at a point in time | **10,687,946** | 9,403,962 |
| Collaboration revenue – at a point in time | **1,572,868** | 699,844 |
| Total | **12,260,814** | 10,103,806 |
| **Other income** | | |
| Investment income | **50,723** | 115,166 |
| Government grants | **85,754** | 104,431 |
| Bank interest income | **995,259** | 905,005 |
| Others | **1,600** | 822 |
| Total other income | **1,133,336** | 1,125,424 |
| **Other gains/(expenses), net** | | |
| Gain on disposal of items of property, plant and equipment | **5,721** | 2,103 |
| Gain on disposal of associates | **–** | 10,776 |
| Loss on derecognition of financial assets at amortised cost | **(17,143)** | (3,346) |
| Share of losses of associates | **–** | (2,123) |
| Fair value gains of financial assets at fair value through profit or loss | **78,410** | 150,794 |
| Loss resulting from derecognition of convertible bonds | **–** | (134,712) |
| Donations | **(35,438)** | (32,081) |
| Foreign exchange differences, net | **21,428** | 4,571 |
| Impairment of trade receivables, net | **18,179** | (22,383) |
| Impairment of inventories, net | **(11,289)** | (1,645) |
| Impairment of property, plant and equipment | **(31,976)** | – |
| Others | **(14,719)** | 566 |
| Total other gains/(expenses), net | **13,173** | (27,480) |

## 5. REVENUE, OTHER INCOME AND OTHER GAINS/(EXPENSES), NET *(Continued)*

**Performance obligations**

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

| | **2024** | 2023 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Amounts expected to be recognised as revenue: | | |
| Within one year | **1,272,347** | 1,317,396 |

During the reporting period, the Group enters into multiple license agreements with pharmaceutical companies (the "**Licensees**"), pursuant to which the Licensees shall obtain exclusive licenses for developing, manufacturing, and commercialising certain innovative therapies developed by the Group in certain territories. The Group usually receives upfront payment in accordance with license agreements and is eligible to receive milestone payments and tiered royalties based on net sales in the territories. The Group recognised collaboration revenue of RMB1,572,868,000 (2023: RMB699,844,000) during the year ended 31 December 2024 upon fulfilling the respective performance obligations in these license agreements.

## 6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

| | Notes | **2024** | 2023 |
|---|---|---|---|
| | | ***RMB'000*** | *RMB'000* |
| Cost of inventories sold | | **874,217** | 656,690 |
| Depreciation of property, plant and equipment | 13 | **362,335** | 334,869 |
| Depreciation of right-of-use assets | 14 | **25,777** | 20,750 |
| Amortisation of intangible assets | 15 | **13,237** | 10,762 |
| Impairment of trade receivables, net | 17 | **(18,179)** | 22,383 |
| Impairment of inventories, net | 5 | **11,289** | 1,645 |
| Operating lease expenses | | **4,507** | 5,457 |
| Auditors' remuneration: | | | |
| Audit services | | **3,230** | 3,230 |
| Non-audit services | | **100** | 500 |
| Gain on disposal of items of property, plant and equipment | 5 | **(5,721)** | (2,103) |
| Gain on disposal of associates | 5 | **–** | (10,776) |
| Investment income | 5 | **(50,723)** | (115,166) |
| Share of losses of associates | 5 | **–** | 2,123 |
| Fair value gains of financial assets at fair value through profit or loss | 5 | **(78,410)** | (150,794) |
| Loss resulting from derecognition of convertible bonds | 5 | **–** | 134,712 |
| Bank interest income | 5 | **(995,259)** | (905,005) |
| Foreign exchange differences, net | 5 | **(21,428)** | (4,571) |
| Employee benefit expense (including directors' remuneration as set out in Note 8): | | | |
| Wages and salaries | | **2,183,878** | 1,802,312 |
| Social welfare and other benefits* | | **1,006,062** | 707,163 |
| Share-based payments | | **137,725** | 171,365 |
| Total | | **3,327,665** | 2,680,840 |

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

## 7. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

| | **2024** | 2023 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Interest on convertible bonds | **535** | 57,529 |
| Interest on lease liabilities | **2,947** | 3,378 |
| Interest on bank borrowings | **3,207** | 5,772 |
| Total | **6,689** | 66,679 |

## 8. DIRECTORS' REMUNERATION

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

| | **Group** | |
|---|---|---|
| | **2024** | 2023 |
| | ***RMB'000*** | *RMB'000* |
| Salaries, allowances and benefits in kind | **6,930** | 12,609 |
| Performance related bonuses | **15,083** | 12,414 |
| Share-based payments | **16,256** | 15,636 |
| Pension scheme contributions | **177** | 173 |
| Total | **38,446** | 40,832 |

### (a) Independent non-executive directors

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

| | | **2024** | 2023 |
|---|---|---|---|
| | | ***RMB'000*** | *RMB'000* |
| Mr. Lin Guoqiang | (ii) | **360** | 360 |
| Mr. Chan Charles Sheung Wai | (ii) | **360** | 360 |
| Ms. Yang Dongtao | (ii) | **360** | 360 |
| Total | | **1,080** | 1,080 |

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

## 8. DIRECTORS' REMUNERATION *(Continued)*

### (b) Executive directors

| | Note | Salaries, allowances and benefits in kind *RMB'000* | Performance related bonuses *RMB'000* | Share-based payments *RMB'000* | Pension scheme contributions *RMB'000* | Total remuneration *RMB'000* |
|---|---|---|---|---|---|---|
| **2024** | | | | | | |
| Executive directors: | | | | | | |
| Ms. Zhong Huijuan | (i) | **3,199** | **8,710** | **–** | **16** | **11,925** |
| Ms. Sun Yuan | | **2,187** | **5,113** | **11,728** | **16** | **19,044** |
| Dr. Lyu Aifeng | | **1,544** | **1,260** | **4,528** | **145** | **7,477** |
| Total | | **6,930** | **15,083** | **16,256** | **177** | **38,446** |

| | Note | Salaries, allowances and benefits in kind *RMB'000* | Performance related bonuses *RMB'000* | Share-based payments *RMB'000* | Pension scheme contributions *RMB'000* | Total remuneration *RMB'000* |
|---|---|---|---|---|---|---|
| **2023** | | | | | | |
| Executive directors: | | | | | | |
| Ms. Zhong Huijuan | (i) | 7,344 | 7,448 | – | 15 | 14,807 |
| Ms. Sun Yuan | | 3,565 | 3,616 | 9,435 | 15 | 16,631 |
| Dr. Lyu Aifeng | | 1,700 | 1,350 | 6,201 | 143 | 9,394 |
| Total | | 12,609 | 12,414 | 15,636 | 173 | 40,832 |

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

None of the directors received any emolument from the Group as inducement to join or upon joining the Group or as compensation for loss of office during the year.

Notes:

(i) Ms. Zhong Huijuan is also the chief executive officer of the Company.

(ii) Mr. Lin Guoqiang, Mr. Chan Charles Sheung Wai and Ms. Yang Dongtao were appointed as independent non-executive directors on 31 May 2019.

## 9. FIVE HIGHEST PAID EMPLOYEES

For the year ended 31 December 2024, the five highest paid employees of the Group included three directors (2023: three directors), details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2023: two) highest paid employees who are not directors of the Company are as follows:

| | **2024**<br>***RMB'000*** | 2023<br>*RMB'000* |
|---|---|---|
| Salaries, allowances and benefits in kind | **7,389** | 6,661 |
| Performance related bonuses | **1,892** | 3,749 |
| Share-based payments | **3,380** | 3,995 |
| Pension scheme contributions | **401** | 395 |
| Total | **13,062** | 14,800 |

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

| | **Number of employees** | |
|---|---|---|
| | **2024** | 2023 |
| HK$6,500,001 to HK$7,000,000 | **1** | – |
| HK$7,000,001 to HK$7,500,000 | **1** | – |
| HK$7,500,001 to HK$8,000,000 | **–** | 1 |
| HK$8,000,001 to HK$8,500,000 | **–** | 1 |
| Total | **2** | 2 |

None of the five highest paid employees received any emolument from the Group as inducement to join or upon joining the Group or as compensation for loss of office during the year.

## 10. INCOME TAX

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

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

The subsidiary incorporated in Hong Kong and subsidiaries registered as a Hong Kong tax resident are subject to income tax at the rate of 16.5% (2023: 16.5%) on the estimated assessable profits arising in Hong Kong during the Reporting Period. The first HK$2,000,000 (2023: HK$2,000,000) of assessable profits of each subsidiary are taxed at 8.25% (2023: 8.25%) and the remaining assessable profits are taxed at 16.5% (2023: 16.5%).

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

In 2023, Jiangsu Hansoh and Shanghai Hansoh, subsidiaries of the Company, renewed their "High and New Technology Enterprise" ("HNTE") qualification and were entitled to a preferential income tax rate of 15% for a period of three years from 2023 to 2025.

In 2024, Changzhou Hansoh, a subsidiary of the Company, renewed its "HNTE" qualification and was entitled to a preferential income tax rate of 15% for a period of three years from 2024 to 2026.

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

| | **2024**<br>***RMB'000*** | 2023<br>*RMB'000* |
|---|---|---|
| Current income tax | **768,188** | 584,293 |
| Deferred income tax (Note 25) | **(54,831)** | (95,641) |
| Total | **713,357** | 488,652 |

## 10. INCOME TAX *(Continued)*

A reconciliation of the tax expense applicable to profit before tax using the statutory tax rate for the jurisdictions in which the majority of the Group's subsidiaries are domiciled and/or operate to the tax expense at the effective tax rates is as follows:

| | **2024** | 2023 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Profit before tax | **5,085,182** | 3,766,155 |
| Tax at the statutory tax rate (25%) | **1,271,296** | 941,539 |
| Preferential income tax rate applicable to certain subsidiaries | **(329,145)** | (331,940) |
| Additional deductible allowance for qualified research and development costs | **(711,997)** | (410,525) |
| Adjustments in respect of current income tax of previous years | **16,651** | (30,881) |
| Income not subject to tax | **(282,513)** | (240,786) |
| Expenses not deductible for tax | **99,200** | 59,513 |
| Accrual for withholding tax | **192,602** | 155,555 |
| Tax losses utilised from previous years | **(77,089)** | (20,856) |
| Tax losses not recognised | **534,352** | 367,033 |
| Tax charge at the Group's effective rate | **713,357** | 488,652 |

The Group is primarily operating in Chinese Mainland, also in Hong Kong and the United States. The Group falls within the scope of the OECD Pillar Two rules. In December 2024, the Hong Kong Financial Services and the Treasury Bureau and the Inland Revenue Department announced the Global minimum effective tax rate and the minimum top-up tax in Hong Kong will take effect from the financial year starting on or after 1 January 2025. At the date of this report, Chinese Mainland and the United States have not issued relevant announcements.

According to the revised Hong Kong Accounting Standard 12 issued in July 2023, the Group is exempt from recognizing and disclosing information related to deferred tax assets and liabilities associated with Pillar Two. Also, as the Hong Kong Pillar Two legislation has not yet come into effect as at 31 December 2024, the Group did not have any top-up tax risks in 2024.

The Group is currently working with tax experts to analyse transitional safe harbour and detailed tax calculations based on the 2024 data to assess the impact of the Pillar Two legislation. Given the complexity of applying the legislation and performing the calculations, Potential exposure, if any, to Pillar Two income taxes is currently not known or reasonably estimable.

## 11. DIVIDENDS

| | 2024 *RMB'000* | 2023 *RMB'000* |
|---|---|---|
| 2023 Final, Dividends declared – HK$14.22 cents (2022 Final, Dividends declared – HK$5.00 cents) per ordinary share | **768,760** | 268,852 |
| 2024 Interim, Dividends declared – HK$20.10 cents (2023 Interim, Dividends declared – HK$7.07 cents) per ordinary share | **1,089,973** | 383,991 |

Pursuant to the resolution of the shareholders of the Company dated 13 June 2024 and the resolution of the board of directors dated 27 August 2024, the Company declared dividends of HK$14.22 cents (2023: HK$5.00 cents) and HK$20.10 cents (2023: HK$7.07 cents) separately per ordinary share, amounting to a total of approximately RMB1,858,733,000 (2023: RMB652,843,000).

## 12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent of RMB4,371,825,000 (2023: RMB3,277,503,000), and the weighted average number of ordinary shares of 5,930,095,672 (2023: 5,924,899,050) outstanding during the year, which are adjusted to reflect the changes in the number of ordinary shares during the year.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest and the fair value on the convertible bonds. The weighted average number of ordinary shares used in the calculation of the diluted earnings per share is the weighted average number of ordinary shares outstanding during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued on the conversion of all dilutive potential shares into ordinary shares.

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

| | 2024 *RMB'000* | 2023 *RMB'000* |
|---|---|---|
| **Earnings** | | |
| Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation | **4,371,825** | 3,277,503 |
| Interest on convertible bonds | **535** | 175,957 |
| Less: Fair value gain on the derivative component of the convertible bonds | **–** | 307,716 |
| Profit attributable to ordinary equity holders of the parent used in the diluted earnings per share calculation | **4,372,360** | 3,145,744 |

## 12. EARNINGS PER SHARE *(Continued)*

| | Adjusted number of shares | |
|---|---|---|
| | **2024** | 2023 |
| **Shares** | | |
| Weighted average number of ordinary shares outstanding during the year used in the basic earnings per share calculation | **5,930,095,672** | 5,924,899,050 |
| Effect of dilution – weighted average number of ordinary shares: | | |
| Restricted share units | **19,180,723** | 20,811,901 |
| Convertible bonds | **712,371** | 73,939,191 |
| Weighted average number of ordinary shares outstanding during the year used in the diluted earnings per share calculation | **5,949,988,766** | 6,019,650,142 |
| Basic earnings per share (RMB per share) | **0.74** | 0.55 |
| Diluted earnings per share (RMB per share) | **0.73** | 0.52 |

## 13. PROPERTY, PLANT AND EQUIPMENT

| | Buildings | Leasehold improvements | Machinery and equipment | Computer and office equipment | Motor vehicles | Construction in progress | Total |
|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **At 1 January 2024** | | | | | | | |
| Cost | 2,324,265 | 48,100 | 2,043,835 | 171,401 | 52,940 | 367,120 | 5,007,661 |
| Accumulated depreciation | (617,378) | (30,952) | (1,126,554) | (144,520) | (43,197) | – | (1,962,601) |
| Net carrying amount | 1,706,887 | 17,148 | 917,281 | 26,881 | 9,743 | 367,120 | 3,045,060 |
| At 1 January 2024, net of accumulated depreciation and impairment | 1,706,887 | 17,148 | 917,281 | 26,881 | 9,743 | 367,120 | 3,045,060 |
| Additions | – | – | 58,048 | 3,629 | 2,093 | 109,776 | 173,546 |
| Disposals | (5,993) | – | (9,920) | (344) | (1,977) | – | (18,234) |
| Depreciation provided during the year | (105,680) | (13,516) | (219,412) | (18,436) | (5,291) | – | (362,335) |
| Impairment | – | – | (31,976) | – | – | – | (31,976) |
| Transfer | 208,090 | – | 89,509 | 14,523 | 204 | (313,902) | (1,576) |
| Exchange realignment | – | – | 260 | 20 | – | – | 280 |
| At 31 December 2024, net of accumulated depreciation and impairment | 1,803,304 | 3,632 | 803,790 | 26,273 | 4,772 | 162,994 | 2,804,765 |
| At 31 December 2024: | | | | | | | |
| Cost | 2,481,356 | 48,100 | 2,144,020 | 186,447 | 32,399 | 162,994 | 5,055,316 |
| Accumulated depreciation and impairment | (678,052) | (44,468) | (1,340,230) | (160,174) | (27,627) | – | (2,250,551) |
| Net carrying amount | 1,803,304 | 3,632 | 803,790 | 26,273 | 4,772 | 162,994 | 2,804,765 |

## 13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

| | Buildings | Leasehold improvements | Machinery and equipment | Computer and office equipment | Motor vehicles | Construction in progress | Total |
|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **At 1 January 2023** | | | | | | | |
| Cost | 2,310,502 | 41,245 | 1,909,442 | 159,584 | 60,948 | 358,520 | 4,840,241 |
| Accumulated depreciation | (516,608) | (16,721) | (939,879) | (125,505) | (45,882) | – | (1,644,595) |
| Net carrying amount | 1,793,894 | 24,524 | 969,563 | 34,079 | 15,066 | 358,520 | 3,195,646 |
| At 1 January 2023, net of accumulated depreciation | 1,793,894 | 24,524 | 969,563 | 34,079 | 15,066 | 358,520 | 3,195,646 |
| Additions | 1,306 | 369 | 45,229 | 5,713 | 3,390 | 150,615 | 206,622 |
| Disposals | – | – | (2,719) | (14) | (749) | – | (3,482) |
| Transfer | 12,456 | 6,487 | 97,013 | 6,593 | 157 | (142,015) | (19,309) |
| Exchange realignment | – | – | 418 | 34 | – | – | 452 |
| Depreciation provided during the year | (100,769) | (14,232) | (192,223) | (19,524) | (8,121) | – | (334,869) |
| At 31 December 2023, net of accumulated depreciation | 1,706,887 | 17,148 | 917,281 | 26,881 | 9,743 | 367,120 | 3,045,060 |
| At 31 December 2023: | | | | | | | |
| Cost | 2,324,265 | 48,100 | 2,043,835 | 171,401 | 52,940 | 367,120 | 5,007,661 |
| Accumulated depreciation | (617,378) | (30,952) | (1,126,554) | (144,520) | (43,197) | – | (1,962,601) |
| Net carrying amount | 1,706,887 | 17,148 | 917,281 | 26,881 | 9,743 | 367,120 | 3,045,060 |

## 13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Group was applying for the certificates of ownership for certain properties with a net book value of RMB42,438,270 as at 31 December 2024. The directors of the Company are of the opinion that the use of and the conduct of operating activities at the properties referred to above are not affected by the fact the Group had not yet obtained the relevant property title certificates. The Group is not able to assign, transfer or mortgage these assets until these certificates are obtained.

## 14. LEASES

### The Group as a lessee

The Group has lease contracts for various items of land use rights and property. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms of 3 years to 12 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

*(a) Right-of-use assets*

| | Leasehold land<br>*RMB'000* | Property<br>*RMB'000* | Total<br>*RMB'000* |
|---|---|---|---|
| As at 1 January 2023 | 166,258 | 87,989 | 254,247 |
| Exchange realignment | – | 1,166 | 1,166 |
| Depreciation charge | (3,950) | (16,800) | (20,750) |
| As at 31 December 2023 and 1 January 2024 | 162,308 | 72,355 | 234,663 |
| Additions | 219,668 | 12,964 | 232,632 |
| Exchange realignment | – | 887 | 887 |
| Depreciation charge | (7,245) | (18,532) | (25,777) |
| As at 31 December 2024 | 374,731 | 67,674 | 442,405 |

## 14. LEASES *(Continued)*

**The Group as a lessee** *(Continued)*

*(b) Lease liabilities*

The carrying amounts of lease liabilities and the movements during the year are as follows:

| | **2024** | 2023 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Carrying amount at 1 January | **80,795** | 95,114 |
| New leases | **12,964** | – |
| Accretion of interest recognised during the year | **2,947** | 3,378 |
| Exchange realignment | **998** | 1,266 |
| Payments | **(20,685)** | (18,963) |
| Carrying amount at 31 December | **77,019** | 80,795 |
| Analysed into: | | |
| Current portion | **16,006** | 16,087 |
| Non-current portion | **61,013** | 64,708 |

*(c) The amounts recognised in profit or loss in relation to leases are as follows:*

| | **2024** | 2023 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Interest on lease liabilities | **2,947** | 3,378 |
| Depreciation charge of right-of-use assets | **25,777** | 20,750 |
| Expense relating to short-term leases | **4,507** | 5,457 |
| Total | **33,231** | 29,585 |

## 15. INTANGIBLE ASSETS

| | Patents and Software *RMB'000* | Deferred Development Costs *RMB'000* | Total *RMB'000* |
|---|---|---|---|
| **31 December 2024** | | | |
| Cost at 1 January 2024, net of accumulated amortisation | **41,189** | **136,227** | **177,416** |
| Additions | **253** | **79,278** | **79,531** |
| Transfer | **1,576** | **–** | **1,576** |
| Amortisation provided during the year | **(13,237)** | **–** | **(13,237)** |
| At 31 December 2024 | **29,781** | **215,505** | **245,286** |
| At 31 December 2024: | | | |
| Cost | **100,792** | **215,505** | **316,297** |
| Accumulated amortisation | **(71,011)** | **–** | **(71,011)** |
| Net carrying amount | **29,781** | **215,505** | **245,286** |

| | Patents and Software *RMB'000* | Deferred Development Costs *RMB'000* | Total *RMB'000* |
|---|---|---|---|
| **31 December 2023** | | | |
| Cost at 1 January 2023, net of accumulated amortisation | 33,422 | – | 33,422 |
| Additions | 18,529 | 136,227 | 154,756 |
| Amortisation provided during the year | (10,762) | – | (10,762) |
| At 31 December 2023 | 41,189 | 136,227 | 177,416 |
| At 31 December 2023: | | | |
| Cost | 98,963 | 136,227 | 235,190 |
| Accumulated amortisation | (57,774) | – | (57,774) |
| Net carrying amount | 41,189 | 136,227 | 177,416 |

## 16. INVENTORIES

| | **2024** | 2023 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Raw materials | **156,509** | 138,083 |
| Work in progress | **282,479** | 287,627 |
| Finished goods | **212,236** | 150,072 |
| Total | **651,224** | 575,782 |

## 17. TRADE AND BILLS RECEIVABLES

| | **2024** | 2023 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade receivables | **3,139,904** | 3,240,237 |
| Impairment | **(12,425)** | (30,604) |
| Net carrying amount | **3,127,479** | 3,209,633 |
| Bills receivable | **42,284** | 4,618 |
| Total | **3,169,763** | 3,214,251 |

The Group's trading terms with its customers are mainly on credit, except for new customers, whose payment in advance is normally required. The credit period is generally from 60 to 180 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances. Trade and bills receivables are non-interest-bearing.

An ageing analysis of trade receivables as at the end of the Reporting Period, based on the invoice date and net of loss allowance, is as follows:

| | **2024** | 2023 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 90 days | **3,105,364** | 3,032,806 |
| 91 days to 180 days | **5,447** | 25,365 |
| Over 180 days | **16,668** | 151,462 |
| Total | **3,127,479** | 3,209,633 |

## 17. TRADE AND BILLS RECEIVABLES *(Continued)*

An ageing analysis of bills receivable as at the end of the Reporting Period, based on the billing date, is as follows:

| | **2024** | 2023 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 90 days | **41,441** | 4,618 |
| 91 days to 180 days | **843** | – |
| Total | **42,284** | 4,618 |

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables and bills receivable.

To measure the expected credit losses for trade receivables, trade receivables have been grouped based on shared credit risk characteristics and the ageing.

The movements in the loss allowance for impairment of trade receivables are as follows:

| | **2024** | 2023 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| At beginning of year | **30,604** | 8,221 |
| (Reversal)/provision of impairment (Note 6) | **(18,179)** | 22,383 |
| At end of year | **12,425** | 30,604 |

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns by customer type and rating. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

## 17. TRADE AND BILLS RECEIVABLES *(Continued)*

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

| | Current | Past due Within 90 days | Past due 91 days to 1 year | Past due Over 1 year | Total |
|---|---|---|---|---|---|
| **At 31 December 2024** | | | | | |
| Expected credit loss rate | **0.36%** | **0.41%** | **5.71%** | **100.00%** | **0.40%** |
| Gross carrying amount *(RMB'000)* | **3,055,560** | **66,453** | **17,677** | **214** | **3,139,904** |
| Expected credit losses *(RMB'000)* | **10,927** | **275** | **1,009** | **214** | **12,425** |
| **At 31 December 2023** | | | | | |
| Expected credit loss rate | 0.70% | 0.71% | 5.80% | 100.00% | 0.94% |
| Gross carrying amount *(RMB'000)* | 2,933,952 | 154,143 | 151,922 | 220 | 3,240,237 |
| Expected credit losses *(RMB'000)* | 20,471 | 1,096 | 8,817 | 220 | 30,604 |

Based on past experience and forward-looking information, the directors of the Company are of the opinion that there is no significant credit risk associated with bills receivable and no credit loss allowance is necessary since the counterparties are substantially reputable state-owned banks and other medium or large-sized listed banks with no history of default.

At 31 December 2024, the Group endorsed and discounted certain bills receivable accepted by banks in Chinese Mainland (the "**Derecognised Bills**") to settle the trade payables and other payables with a carrying amount of RMB510,258,538 (2023: RMB642,806,302). The Derecognised Bills had a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "**Continuing Involvement**"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, the Group has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables and other payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the year ended 31 December 2024, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the reporting period and cumulatively.

## 18. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

| | 2024 RMB'000 | 2023 RMB'000 |
|---|---|---|
| Prepayments | **105,940** | 99,344 |
| Value-added tax recoverable | **71,349** | 67,252 |
| Deposits | **32,973** | 26,666 |
| Prepaid expenses | **883** | 3,829 |
| Advance to employees | **468** | 25,481 |
| Other receivables | **22,924** | 13,636 |
| Total | **234,537** | 236,208 |

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2024 and 2023, the loss allowance was assessed to be minimal.

## 19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2024 RMB'000 | 2023 RMB'000 |
|---|---|---|
| **Current** | | |
| Investments in financial products (note (a)) | **17,237** | 512,409 |
| **Non-current** | | |
| Other unlisted investments, at fair value (note (b)) | **702,283** | 684,706 |

Notes:

(a) The above investments represent investments in certain financial products issued by commercial banks with expected return rates ranging from 5.43% to 5.49% (2023: 2.45% to 4.32%) per annum. The returns on all of these financial products are not guaranteed. The fair values of the investments approximate to their costs plus expected return. None of these investments are past due or impaired.

(b) The balance as at 31 December 2024 represents unlisted equity investments in nine venture capital funds which specialise in making equity investments in the life science industry and two innovative biopharmaceutical companies. The Group has an intention of holding them as long-term investments.

## 20. OTHER FINANCIAL ASSETS

| | **2024** **RMB'000** | 2023 *RMB'000* |
|---|---|---|
| Investments in financial products | **747,468** | 1,909,966 |

The above investments represent investments in certain financial products issued by commercial banks. These financial products had terms of less than one year and had guaranteed annual return rates ranging from 5.53% to 5.57% (2023: 5.06% to 5.75%). None of these investments are past due or impaired.

## 21. CASH AND BANK BALANCES

| | **2024** **RMB'000** | 2023 *RMB'000* |
|---|---|---|
| Cash and bank balances, unrestricted | **2,101,651** | 2,246,714 |
| Time deposits with original maturity of less than three months when acquired | **221,050** | 3,733,799 |
| Time deposits with original maturity of over three months when acquired (note (a)) | **20,298,865** | 16,454,178 |
| Cash and bank balances | **22,621,566** | 22,434,691 |
| Denominated in: | | |
| RMB | **2,006,297** | 7,070,597 |
| United States dollar | **20,585,645** | 14,927,985 |
| Hong Kong dollar | **27,709** | 60,474 |
| Others | **1,915** | 375,635 |
| Total | **22,621,566** | 22,434,691 |

The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods within three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances are deposited with creditworthy banks with no history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

Note:

(a) The above investments represent time deposits with initial terms of over three months when acquired (including three months) issued by commercial banks with annual return rates ranging from 3.30% to 5.89% (2023: 3.20% to 6.03%). None of these investments are past due or impaired. None of these deposits are pledged.

## 22. TRADE AND BILLS PAYABLES

| | 2024<br>*RMB'000* | 2023<br>*RMB'000* |
|---|---|---|
| Trade payables | **217,851** | 121,042 |
| Bills payable | – | 42,721 |
| Total | **217,851** | 163,763 |

An ageing analysis of the trade and bills payables as at the end of the Reporting Period, based on the invoice date, is as follows:

| | 2024<br>*RMB'000* | 2023<br>*RMB'000* |
|---|---|---|
| Within 90 days | **211,421** | 160,294 |
| 91 days to 180 days | **709** | 950 |
| 181 days to 1 year | **2,055** | 554 |
| Over 1 year | **3,666** | 1,965 |
| Total | **217,851** | 163,763 |

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

## 23. OTHER PAYABLES AND ACCRUALS

| | 2024<br>*RMB'000* | 2023<br>*RMB'000* |
|---|---|---|
| Accrued expenses | **1,490,774** | 1,546,526 |
| Staff payroll, welfare and bonus payables | **438,431** | 281,236 |
| Payables for purchase of items of property, plant and equipment | **27,481** | 62,442 |
| Other tax payables | **160,546** | 141,551 |
| Other payables | **237,359** | 343,925 |
| Total | **2,354,591** | 2,375,680 |

## 24. CONTRACT LIABILITIES

| | 2024 *RMB'000* | 2023 *RMB'000* |
|---|---|---|
| Amounts received in advance of delivery of products and services | **19,227** | 38,471 |

Set out below is the amount of revenue and other income recognised from:

| | 2024 *RMB'000* | 2023 *RMB'000* |
|---|---|---|
| Amounts included in contract liabilities at the beginning of the year | **38,471** | 25,097 |

## 25. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

### Deferred tax assets

| | Decelerated depreciation/ amortisation for tax purposes *RMB'000* | Accrued expenses *RMB'000* | Provision for impairment of trade receivables, inventories and property, plant and equipment *RMB'000* | Total deferred tax assets *RMB'000* |
|---|---|---|---|---|
| At 1 January 2024 | **126,385** | **49,458** | **6,371** | **182,214** |
| Deferred tax recognised in the consolidated statement of profit or loss during the year | **(17,029)** | **(585)** | **4,153** | **(13,461)** |
| At 31 December 2024 | **109,356** | **48,873** | **10,524** | **168,753** |
| At 1 January 2023 | 143,486 | 55,599 | 3,314 | 202,399 |
| Deferred tax recognised in the consolidated statement of profit or loss during the year | (17,101) | (6,141) | 3,057 | (20,185) |
| At 31 December 2023 | 126,385 | 49,458 | 6,371 | 182,214 |

## 25. DEFERRED TAX *(Continued)*

**Deferred tax liabilities**

| | Accelerated depreciation for tax purposes *RMB'000* | Accrual for withholding tax *RMB'000* | Total deferred tax liabilities *RMB'000* |
|---|---|---|---|
| At 1 January 2024 | **(80,213)** | **(357,021)** | **(437,234)** |
| Deferred tax recognised in the consolidated statement of profit or loss during the year | **4,228** | **64,064** | **68,292** |
| At 31 December 2024 | **(75,985)** | **(292,957)** | **(368,942)** |
| At 1 January 2023 | (86,904) | (466,156) | (553,060) |
| Deferred tax recognised in the consolidated statement of profit or loss during the year | 6,691 | 109,135 | 115,826 |
| At 31 December 2023 | (80,213) | (357,021) | (437,234) |

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

| | **2024** *RMB'000* | 2023 *RMB'000* |
|---|---|---|
| Net deferred tax liabilities recognised in the consolidated statement of financial position | **200,189** | 255,020 |

The Group has no tax losses arising in Hong Kong (2023: Nil) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group has tax losses arising in Chinese Mainland of RMB3,299,342,000 (2023: RMB1,831,855,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in certain subsidiaries that have been loss-making for some time, and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

The Group is liable for withholding taxes on dividends distributed by those subsidiaries established in Chinese Mainland in respect of earnings generated from 1 January 2008. The applicable rate is 5% for the Group.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

## 26. CONVERTIBLE BONDS

On 22 January 2021, the Company issued US$600,000,000 zero coupon convertible bonds due in 2026. The bonds are convertible at the option of the bondholders into ordinary shares after 4 March 2021 on the basic conversion price of HK$60.00 per share. In accordance with the terms and conditions of the Convertible Bonds, the Conversion Price was adjusted immediately after the record date for the payment of final dividend for the year ended 31 December 2023 and the payment of interim dividend for the six months ended 30 June 2024. As a result of the adjustment, the Conversion Price has been adjusted to HK$58.13 per share with effect from 26 June 2024 and HK$57.48 per share with effect from 26 September 2024. Any convertible bonds not converted, redeemed or purchased and cancelled will be redeemed by the Company on 22 January 2026 at the price of the par value.

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

The convertible bonds comprise two components:

The debt component was initially measured at fair value amounting to US$562,489,000 (equivalent to RMB3,634,633,000). It is subsequently measured at amortized cost using the effective interest method after considering the effect of the transaction costs.

The derivative component comprises conversion options and early redemption options (not closely related to the debt component), which were initially measured at fair value amounting to US$37,511,000 (equivalent to RMB242,387,000) and subsequently measured at fair value with changes in fair value recognised in profit or loss.

The total transaction costs of US$4,000,000 (equivalent to RMB25,847,000) related to the issue of the convertible bonds were allocated to the debt and derivative components in proportion to their respective fair values.

On 22 January 2024, the Company redeemed the convertible bonds at a total cash consideration of US$590,622,000 (equivalent to RMB4,183,198,000). As the unredeemed convertible bonds are convertible at any time on or after 4 March 2021, they are presented as current liabilities as at 31 December 2024.

The convertible bonds have been split into the debt and embedded derivative components as follows:

| | **Debt component** *RMB'000* | **Embedded derivative component** *RMB'000* | **Total** *RMB'000* |
|---|---|---|---|
| As at 1 January 2024 | **4,220,197** | **2,743** | **4,222,940** |
| Repayment | **(4,183,198)** | **–** | **(4,183,198)** |
| Exchange realignment | **556** | **41** | **597** |
| Interest charged | **535** | **–** | **535** |
| As at 31 December 2024 | **38,090** | **2,784** | **40,874** |

## 26. CONVERTIBLE BONDS *(Continued)*

| | Debt component *RMB'000* | Embedded derivative component *RMB'000* | Total *RMB'000* |
|---|---|---|---|
| As at 1 January 2023 | 3,974,835 | 307,907 | 4,282,742 |
| Derecognition | 118,948 | (298,748) | (179,800) |
| Exchange realignment | 68,885 | 2,634 | 71,519 |
| Interest charged | 57,529 | – | 57,529 |
| Gains arising on changes of fair value | – | (9,050) | (9,050) |
| As at 31 December 2023 | 4,220,197 | 2,743 | 4,222,940 |

## 27. SHARE-BASED PAYMENTS

The Group's RSU Scheme was adopted pursuant to a resolution passed on 27 May 2019 for the primary purpose of providing incentives to directors and eligible employees and will expire on 13 June 2029. At 31 December 2024, the RSU Scheme representing up to an aggregate of 46,172,474 shares of the Company will be available for grant in future.

The table below discloses movements of the RSU Scheme:

| | **2024 Number of restricted share unit** | 2023 Number of restricted share unit |
|---|---|---|
| Outstanding as at 1 January | **35,405,000** | 32,364,620 |
| Granted during the year | **11,397,590** | 20,304,400 |
| Cancelled/lapsed during the year | **(7,514,335)** | (3,453,060) |
| Vested during the year | **(13,599,635)** | (13,810,960) |
| Outstanding as at 31 December | **25,688,620** | 35,405,000 |

During the year ended 31 December 2024, 11,397,590 restricted share units were granted on 27 June 2024. Vesting commencement date is 27 June 2024. The purchase price was HK$3.379 per share. These restricted share units will be vested subject to certain performance indicators and other requirements in the grant letter between the employees and the Group, including requirements based on the achievement of the Group's annual results and the employees' individual annual performance. Approximately 34% shall vest on the first anniversary of the vesting commencement date and the remaining approximately 33% and approximately 33% shall vest on the second and third anniversary of the vesting commencement date, respectively.

## 27. SHARE-BASED PAYMENTS *(Continued)*

The fair value of the restricted share units determined on 27 June 2024 using the binomial model was HK$13.10 per unit. The following assumptions were used to calculate the fair value of the restricted share units on the grant date:

| | 27 June 2024 |
|---|---|
| Weighted average closing price | HK$16.48 |
| Purchase price | HK$3.379 |
| Vesting period | 3 Years |
| Vest volatility | 47.58%-50.31% |
| Dividend yield | 1.70% |
| Risk-free interest rate | 3.59%-3.65% |

The binomial model has been used to estimate the fair value of the restricted share units. The variables and assumptions used in computing the fair value of the restricted share units are based on the directors' best estimate. Changes in estimates and assumptions may result in changes in fair value of the restricted share units.

At the end of each reporting period, the Group revises its estimates of the number of restricted share units that are expected to vest ultimately. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to the share-based payment reserve.

The Group recognised share-based payment expenses of RMB137,725,000 (31 December 2023: RMB171,365,000) during the reporting period.

## 28. SHARE CAPITAL

| | **2024**<br>***RMB*** | 2023<br>*RMB* |
|---|---|---|
| Issued and fully paid: | | |
| 5,935,650,070 shares of HK$0.00001 each (31 December 2023: 5,933,350,070 shares of HK$0.00001 each) | **52,286** | 52,265 |

## 28. SHARE CAPITAL *(Continued)*

A summary of movements in the Company's share capital is as follows:

| | Number of shares in issue | Share capital *RMB* |
|---|---|---|
| At 1 January 2024 | **5,933,350,070** | **52,265** |
| Issue of shares pursuant to the Group's Restricted Share Unit Scheme (the "**RSU Scheme**") adopted on 27 May 2019, HK$0.00001 each (note (a)) | **2,300,000** | **21** |
| At 31 December 2024 | **5,935,650,070** | **52,286** |

Note:

(a) On 19 April 2024, the Company issued 2,300,000 ordinary shares to Computershare Hong Kong Trustees Limited (the "**RSU Trustee**") pursuant to the terms of the RSU Scheme approved and adopted on 27 May 2019, with the purchase price of HK$2.60 per restricted share for vesting.

## 29. TREASURY SHARES

As instructed by the board of directors, the RSU Trustee is appointed to acquire a certain number of shares from the open market for the RSU Scheme, and the purchased shares will be held by the RSU Trustee, recognized as treasury shares, until such shares are vested in accordance with the provisions of the Scheme.

A summary of movements in the Company's treasury shares is as follows:

| | **Number of shares** | **Treasury shares** ***RMB'000*** |
|---|---|---|
| **At 1 January 2024** | **9,614,700** | **108,629** |
| Shares repurchase for the RSU Scheme | **3,000,000** | **33,693** |
| Vested | **(11,299,635)** | **(128,723)** |
| Dividends declared | **–** | **(384)** |
| **At 31 December 2024** | **1,315,065** | **13,215** |

| | Number of shares | Treasury shares *RMB'000* |
|---|---|---|
| At 1 January 2023 | 2,397,660 | 28,027 |
| Shares repurchase for the RSU Scheme | 10,028,000 | 114,865 |
| Vested | (2,810,960) | (33,502) |
| Dividends declared | – | (761) |
| At 31 December 2023 | 9,614,700 | 108,629 |

## 30. RESERVES

The amounts of the Group's reserves and the movements therein for the reporting period are presented in the consolidated statement of changes in equity.

### (a) Share premium

The proceeds from the issue of shares that exceed the nominal value of the shares were credited into the share premium.

### (b) Merger reserve

The merger reserve of the Group represents the capital contributions from the then shareholders of the subsidiaries.

### (c) Exchange fluctuation reserve

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their profits or losses are translated into RMB at the weighted average exchange rates for the period. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

### (d) Statutory surplus reserves

In accordance with the Company Law of the PRC, a subsidiary of the Group which is a domestic enterprise is required to allocate 10% of its profit after tax, as determined in accordance with the relevant PRC Generally Accepted Accounting Principles, to its statutory surplus reserves until the reserves reaches 50% of its registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserves may be converted to share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

## 31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB12,964,000 (2023: Nil) and RMB12,964,000 (2023: Nil), respectively, in respect of lease arrangements for property.

## 31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

### (b) Changes in liabilities arising from financing activities

| | Dividends payable *RMB'000* | Lease liabilities *RMB'000* | Convertible bonds *RMB'000* |
|---|---|---|---|
| **At 1 January 2024** | **–** | **80,795** | **4,222,940** |
| **Changes from financing cash flows:** | | | |
| Repayment of convertible bonds | **–** | **–** | **(4,183,198)** |
| Dividend paid to shareholders | **(1,858,348)** | **–** | **–** |
| Principal portion of lease payments | **–** | **(20,685)** | **–** |
| Total changes from financing cash flows | **(1,858,348)** | **(20,685)** | **(4,183,198)** |
| **Other changes:** | | | |
| Dividend declared to shareholders | **1,858,733** | **–** | **–** |
| Dividend declared to treasury shares | **(384)** | **–** | **–** |
| New leases | **–** | **12,964** | **–** |
| Interest charged on convertible bonds | **–** | **–** | **535** |
| Accretion of interest recognised during the year | **–** | **2,947** | **–** |
| Exchange realignment | **–** | **998** | **597** |
| Total other changes | **1,858,349** | **16,909** | **1,132** |
| **At 31 December 2024** | **1** | **77,019** | **40,874** |
| **At 1 January 2023** | – | 95,114 | 4,282,742 |
| **Changes from financing cash flows:** | | | |
| Dividend paid to the shareholders | (652,082) | – | – |
| Principal portion of lease payments | – | (18,963) | – |
| Total changes from financing cash flows | (652,082) | (18,963) | – |
| **Other changes:** | | | |
| Dividend declared to the shareholders | 652,082 | – | – |
| Interest charged on convertible bonds | – | – | 57,529 |
| Gains arising on changes of fair value | – | – | (188,850) |
| Accretion of interest recognised during the year | – | 3,378 | – |
| Exchange realignment | – | 1,266 | 71,519 |
| Total other changes | 652,082 | 4,644 | (59,802) |
| **At 31 December 2023** | – | 80,795 | 4,222,940 |

## 31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

### (c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

| | **2024** | 2023 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within operating activities | **4,507** | 5,457 |
| Within financing activities | **20,685** | 18,963 |
| Total | **25,192** | 24,420 |

## 32. COMMITMENTS

### Capital commitments

The Group had the following capital commitments at the end of the reporting period:

| | **2024** | 2023 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Contracted, but not provided for acquisition of property, plant and equipment | **326,242** | 80,445 |

### Other business agreements

The Group enters into collaboration agreements with institutions and companies to license intellectual property. The Company may be obligated to make future development, regulatory and commercial milestone payments and royalty payments on future sales of specified products associated with its collaboration agreements. Payments under these agreements generally become due and payable upon achievement of such milestones or sales. These commitments are not recorded on the consolidated statement of financial position because the achievement and timing of these milestones are not fixed and determinable. When the achievement of these milestones or sales have occurred, the corresponding amounts are recognised in the consolidated financial statements.

## 33. SIGNIFICANT RELATED PARTY TRANSACTIONS

### (a) Name of and relationship with a related party

| Name | Relationship |
|---|---|
| 江蘇恒瑞醫藥股份有限公司 (“**Jiangsu Hengrui Pharmaceuticals Co., Ltd.**”) | Controlled by a close family member of a director |
| 山東盛迪醫藥有限公司 (“**Shandong Shengdi Pharmaceuticals Co., Ltd.**”) | Controlled by a close family member of a director |
| 成都盛迪醫藥有限公司 (“**Chengdu Suncadia Medicine Co., Ltd.**”) | Controlled by a close family member of a director |
| 成都新越醫藥有限公司 (“**Chengdu Xinyue Pharmaceutical Co., Ltd.**”) | Controlled by a close family member of a director |

### (b) The Group had the following transactions with related parties during the year:

| | **2024** **_RMB'000_** | 2023 _RMB'000_ |
|---|---|---|
| Sales of property, plant, and equipment | | |
| Controlled by a close family member of a director | **17,152** | – |
| Rendering of services | | |
| Controlled by a close family member of a director | **–** | 4,717 |
| Purchasing of products | | |
| Controlled by a close family member of a director | **4,453** | – |
| Purchasing of services | | |
| Controlled by a close family member of a director | **14,048** | 10,000 |

The directors of the Company are of the opinion that the above transactions with related parties were conducted in the ordinary course of business and on normal commercial terms.

## 33. SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

### (c) Outstanding balances with related parties:

| | **2024** *RMB'000* | 2023 *RMB'000* |
|---|---|---|
| Amounts due to related parties | | |
| Controlled by a close family member of a director | **4,555** | – |

### (d) Compensation of key management personnel of the Group:

| | **2024** *RMB'000* | 2023 *RMB'000* |
|---|---|---|
| Salaries, allowances and benefits in kind | **65,960** | 66,405 |
| Performance related bonuses | **29,959** | 39,781 |
| Share-based payments | **51,121** | 78,589 |
| Pension scheme contributions | **4,523** | 4,421 |
| Total compensation paid to key management personnel | **151,563** | 189,196 |

Further details of directors' emoluments are included in Note 8 to the financial statements.

## 34. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period were as follows:

**2024**

**Financial assets**

| | Financial assets at fair value through profit or loss – Mandatorily | Financial assets at fair value through other comprehensive income | Financial assets at amortised cost | Total |
|---|---|---|---|---|
| | | Debt investments | | |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade receivables | – | – | 3,127,479 | 3,127,479 |
| Bills receivable | – | 42,284 | – | 42,284 |
| Financial assets at fair value through profit or loss | 719,520 | – | – | 719,520 |
| Financial assets included in prepayments, other receivables and other assets | – | – | 56,365 | 56,365 |
| Other financial assets | – | – | 747,468 | 747,468 |
| Cash and bank balances | – | – | 22,621,566 | 22,621,566 |
| Total | 719,520 | 42,284 | 26,552,878 | 27,314,682 |

**Financial liabilities**

| | Financial liabilities at amortised cost | Financial liabilities at fair value through profit or loss | Total |
|---|---|---|---|
| | | Designated as such upon initial recognition | |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade and bills payables | 217,851 | – | 217,851 |
| Financial liabilities included in other payables and accruals | 1,755,614 | – | 1,755,614 |
| Lease liabilities | 77,019 | – | 77,019 |
| Convertible bonds – debt component | 38,090 | – | 38,090 |
| Convertible bonds – embedded derivative instruments | – | 2,784 | 2,784 |
| Total | 2,088,574 | 2,784 | 2,091,358 |

## 34. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

**2023**

**Financial assets**

| | Financial assets at fair value through profit or loss | Financial assets at fair value through other comprehensive income | Financial assets at amortised cost | Total |
|---|---|---|---|---|
| | | Debt investments | | |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade receivables | – | – | 3,209,633 | 3,209,633 |
| Bills receivable | – | 4,618 | – | 4,618 |
| Financial assets at fair value through profit or loss | 1,197,115 | – | – | 1,197,115 |
| Financial assets included in prepayments, other receivables and other assets | – | – | 65,783 | 65,783 |
| Other financial assets | – | – | 1,909,966 | 1,909,966 |
| Cash and bank balances | – | – | 22,434,691 | 22,434,691 |
| Total | 1,197,115 | 4,618 | 27,620,073 | 28,821,806 |

**Financial liabilities**

| | Financial liabilities at amortised cost | Financial liabilities at fair value through profit or loss | Total |
|---|---|---|---|
| | | Designated as such upon initial recognition | |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade and bills payables | 163,763 | – | 163,763 |
| Financial liabilities included in other payables and accruals | 1,952,893 | – | 1,952,893 |
| Lease liabilities | 80,795 | – | 80,795 |
| Convertible bonds – debt component | 4,220,197 | – | 4,220,197 |
| Convertible bonds – embedded derivative instruments | – | 2,743 | 2,743 |
| Total | 6,417,648 | 2,743 | 6,420,391 |

## 35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

**Financial assets**

| | Carrying amount | | Fair value | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Financial assets at fair value through profit or loss | **719,520** | 1,197,115 | **719,520** | 1,197,115 |
| Bills receivable | **42,284** | 4,618 | **42,284** | 4,596 |
| Total | **761,804** | 1,201,733 | **761,804** | 1,201,711 |

**Financial liabilities**

| | Carrying amount | | Fair value | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Convertible bonds – debt component | **38,090** | 4,220,197 | **38,090** | 4,220,197 |
| Convertible bonds – embedded derivative instruments | **2,784** | 2,743 | **2,784** | 2,743 |
| Total | **40,874** | 4,222,940 | **40,874** | 4,222,940 |

Management has assessed that the fair values of cash and cash equivalents, time deposits with original maturity of over three months when acquired, trade and bills receivables, trade and bills payables, other financial assets, deposits and other receivables, financial liabilities included in other payables and accruals and dividends payable approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of lease liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for lease liabilities as at 31 December 2024 were assessed to be insignificant. The fair value of the liability portion of the convertible bonds is estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar convertible bond with consideration of the Group's own non-performance risk.

The Group held bills receivable within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Bills receivable is measured at fair value through other comprehensive income. The Group has estimated the fair value of bills receivable by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

## 35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

The fair value of unlisted equity investments designated at fair value through profit or loss has been estimated based on the most recent transaction price.

The Group invests in financial assets at fair value through profit or loss, which represent wealth management products issued by banks. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2024 and 2023:

| Financial instruments | Valuation technique | Significant unobservable input | Range | Sensitivity of fair value to the input |
|---|---|---|---|---|
| Bills receivable held both to collect cash flows and to sell | Discounted cash flow method | Discount rate per annum | 2.95% to 3.26% (2023: 3.28% to 3.62%) | 5% (2023: 5%) increase/decrease in discount rate would result in decrease/ increase in fair value by 0.00% (2023: 0.02%) |

### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) *RMB'000* | Significant observable inputs (Level 2) *RMB'000* | Significant unobservable inputs (Level 3) *RMB'000* | Total *RMB'000* |
| **As at 31 December 2024** | | | | |
| Financial assets at fair value through profit or loss | **–** | **17,237** | **702,283** | **719,520** |
| Bills receivable | **–** | **–** | **42,284** | **42,284** |
| Total | **–** | **17,237** | **744,567** | **761,804** |
| **As at 31 December 2023** | | | | |
| Financial assets at fair value through profit or loss | – | 512,409 | 684,706 | 1,197,115 |
| Bills receivable | – | – | 4,596 | 4,596 |
| Total | – | 512,409 | 689,302 | 1,201,711 |

## 35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

**Fair value hierarchy** *(Continued)*

Liabilities measured at fair value:

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | **Quoted prices in active markets (Level 1)** *RMB'000* | **Significant observable inputs (Level 2)** *RMB'000* | **Significant unobservable inputs (Level 3)** *RMB'000* | **Total** *RMB'000* |
| **As at 31 December 2024** | | | | |
| Convertible bonds – embedded derivative instruments | **–** | **–** | **2,784** | **2,784** |
| **As at 31 December 2023** | | | | |
| Convertible bonds – embedded derivative instruments | – | – | 2,743 | 2,743 |

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2023: Nil).

Liabilities for which fair values are disclosed:

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | **Quoted prices in active markets (Level 1)** *RMB'000* | **Significant observable inputs (Level 2)** *RMB'000* | **Significant unobservable inputs (Level 3)** *RMB'000* | **Total** *RMB'000* |
| **As at 31 December 2024** | | | | |
| Convertible bonds – debt component | **–** | **–** | **38,090** | **38,090** |
| **As at 31 December 2023** | | | | |
| Convertible bonds – debt component | – | – | 4,220,197 | 4,220,197 |

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include cash and cash equivalents, time deposits with original maturity of over three months when acquired, financial assets at fair value through profit or loss and other financial assets. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. Generally, the Group introduces conservative strategies on its risk management. To keep the Group's exposure to these risks to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

### (a) Foreign currency risk

Foreign currency risk is the risk of losses resulting from changes in foreign currency exchange rates. The Group's businesses are located in Chinese Mainland and nearly all transactions are conducted in RMB. As nearly all of the assets and liabilities of subsidiaries in Chinese Mainland were denominated in RMB, these subsidiaries were not subject to significant foreign currency risk. As at 31 December 2024, the Group's assets and liabilities denominated in currencies other than RMB were mainly held by the Company and certain subsidiaries incorporated outside Chinese Mainland which had currencies other than RMB as their functional currencies. The Company and those subsidiaries incorporated outside Chinese Mainland also held bank balances denominated in currencies other than their functional currencies, from which foreign currency exposures arise.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair values of monetary assets and liabilities) and the Group's equity.

| | **Increase/ (decrease) in rate of foreign currency** *%* | **Increase/ (decrease) in profit before tax** *RMB'000* | **Increase/ (decrease) in profit for the year** *RMB'000* |
|---|---|---|---|
| **2024** | | | |
| If the RMB weakens against the United States dollar | **5** | **19,928** | **16,939** |
| If the RMB strengthens against the United States dollar | **(5)** | **(19,928)** | **(16,939)** |
| **2023** | | | |
| If the RMB weakens against the United States dollar | 5 | 65,686 | 55,833 |
| If the RMB strengthens against the United States dollar | (5) | (65,686) | (55,833) |

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

### (b) Credit risk

The carrying amounts of cash and cash equivalents, time deposits with original maturity of over three months when acquired, other financial assets, financial assets at fair value through profit or loss, trade receivables and other receivables represent the Group's maximum exposure equal to credit risk in relation to financial assets.

The Group expects that there is no significant credit risk associated with cash and cash equivalents, time deposits with original maturity of over three months when acquired, other financial assets and financial assets at fair value through profit or loss since they are substantially held in reputable state-owned banks and other medium or large-sized listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

The Group trades only with recognised and creditworthy customers with no requirement for collateral. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

In order to minimise the credit risk, the Group reviews the recoverable amount of each individual trade receivable periodically and management also has monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group measures the loss allowance for bills receivable at an amount equal to lifetime ECLs. Based on past experience and forward-looking information, the directors of the Company are of the opinion that there is no significant credit risk associated with bills receivable and no credit loss allowance is necessary since the counterparties are substantially reputable state-owned banks and other medium or large-sized listed banks with no history of default.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experiences do not indicate significantly different loss patterns for different segments, the loss allowance based on the past due status is not further distinguished between the Group's different customer bases.

The Group also expects that there is no significant credit risk associated with amounts due from related parties and other receivables since counterparties to these financial assets have no history of default.

For other financial assets, amounts due from related parties and other receivables, impairment is measured at 12-month expected credit losses as there has been no significant increase in credit risk since initial recognition.

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

### (c) Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers both the maturity of its financial instruments and financial assets (e.g., trade and bills receivables) and projected cash flows from operations.

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

| | **2024** | | | | |
|---|---|---|---|---|---|
| | **Within 3 months or on demand** ***RMB'000*** | **3 months to 1 year** ***RMB'000*** | **1 year to 5 years** ***RMB'000*** | **Over 5 years** ***RMB'000*** | **Total** ***RMB'000*** |
| Lease liabilities | **5,234** | **13,257** | **50,240** | **16,221** | **84,952** |
| Financial liabilities included in other payables and accruals | **1,755,614** | **–** | **–** | **–** | **1,755,614** |
| Trade and bills payables | **211,421** | **2,764** | **3,666** | **–** | **217,851** |
| Convertible bonds | **38,659** | **–** | **–** | **–** | **38,659** |
| Total | **2,010,928** | **16,021** | **53,906** | **16,221** | **2,097,076** |

| | 2023 | | | | |
|---|---|---|---|---|---|
| | Within 3 months or on demand *RMB'000* | 3 months to 1 year *RMB'000* | 1 year to 5 years *RMB'000* | Over 5 years *RMB'000* | Total *RMB'000* |
| Lease liabilities | 4,557 | 14,230 | 39,407 | 33,319 | 91,513 |
| Financial liabilities included in other payables and accruals | 1,952,893 | – | – | – | 1,952,893 |
| Trade and bills payables | 160,294 | 1,504 | 1,965 | – | 163,763 |
| Convertible bonds | 4,183,198 | – | 39,742 | – | 4,222,940 |
| Total | 6,300,942 | 15,734 | 81,114 | 33,319 | 6,431,109 |

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

### (d) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the reporting period.

The Group monitors capital using a debt-to-asset ratio which is total liabilities divided by total assets. The debt-to-asset ratios as at the end of the reporting periods were as follows:

| | **2024**<br>***RMB'000*** | 2023<br>*RMB'000* |
|---|---|---|
| Total liabilities | **2,977,935** | 7,244,306 |
| Total assets | **31,657,849** | 33,039,079 |
| Debt-to-asset ratio | **9%** | 22% |

## 37. CONTINGENT LIABILITIES

As at 31 December 2024, the Group and the Company were not involved in any material legal, arbitration or administrative proceedings that, if adversely determined, the Group and the Company expect would materially adversely affect their financial position or results of operations.

## 38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

| | **2024** **RMB'000** | 2023 RMB'000 |
|---|---|---|
| **NON-CURRENT ASSETS** | | |
| Investments in subsidiaries | **621,396** | 484,844 |
| Financial assets at fair value through profit or loss | **697,384** | 626,839 |
| Amounts due from subsidiaries | **15,591,794** | 16,117,625 |
| **Total non-current assets** | **16,910,574** | 17,229,308 |
| **CURRENT ASSETS** | | |
| Amounts due from subsidiaries | **263,241** | 360,228 |
| Prepayments, other receivables and other assets | **22,768** | 13,668 |
| Cash and bank balances | **33,853** | 89,705 |
| **Total current assets** | **319,862** | 463,601 |
| **CURRENT LIABILITIES** | | |
| Other payables and accruals | **73,963** | 73,937 |
| Convertible bonds | **40,874** | 4,183,198 |
| **Total current liabilities** | **114,837** | 4,257,135 |
| **NET CURRENT ASSETS** | **205,025** | (3,793,534) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | **17,115,599** | 13,435,774 |
| **NON-CURRENT LIABILITIES** | | |
| Convertible bonds | **–** | 39,742 |
| Amounts due to subsidiaries | **–** | 1,412 |
| **Total non-current liabilities** | **–** | 41,154 |
| **NET ASSETS** | **17,115,599** | 13,394,620 |
| **EQUITY** | | |
| Share capital | **52** | 52 |
| Treasure shares | **(13,215)** | (108,629) |
| Reserves (Note(a)) | **17,128,762** | 13,503,197 |
| **Total equity** | **17,115,599** | 13,394,620 |

## 38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

(a) A summary of the Company's reserves is as follows:

| | Share premium RMB'000 | Share-based payment reserve RMB'000 | Other Reserve RMB'000 | Exchange fluctuation reserve RMB'000 | (Accumulated losses)/ retained profits RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| **At 1 January 2024** | **14,095,522** | **325,347** | **(2,291)** | **351,792** | **(1,267,173)** | **13,503,197** |
| Profit for the year | **–** | **–** | **–** | **–** | **5,242,302** | **5,242,302** |
| Exchange differences related to foreign operations | **–** | **–** | **–** | **199,808** | **–** | **199,808** |
| Total comprehensive income for the year | **–** | **–** | **–** | **199,808** | **5,242,302** | **5,442,110** |
| Issuance of new shares under share award scheme | **5,428** | **–** | **–** | **–** | **–** | **5,428** |
| Subscription of shares under share award scheme | **(100,965)** | **–** | **–** | **–** | **–** | **(100,965)** |
| Share-based payments | **–** | **137,725** | **–** | **–** | **–** | **137,725** |
| Dividends declared | **–** | **–** | **–** | **–** | **(1,858,733)** | **(1,858,733)** |
| **At 31 December 2024** | **13,999,985** | **463,072** | **(2,291)** | **551,600** | **2,116,396** | **17,128,762** |

| | Share premium RMB'000 | Share-based payment reserve RMB'000 | Other Reserve RMB'000 | Exchange fluctuation reserve RMB'000 | Accumulated losses RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| **At 1 January 2023** | 13,931,541 | 313,478 | (2,291) | 121,202 | (786,376) | 13,577,554 |
| Profit for the year | – | – | – | – | 172,046 | 172,046 |
| Exchange differences related to foreign operations | – | – | – | 230,590 | – | 230,590 |
| Total comprehensive income for the year | – | – | – | 230,590 | 172,046 | 402,636 |
| Issuance of new shares under share award scheme | 25,227 | – | – | – | – | 25,227 |
| Subscription of shares under share award scheme | 138,754 | (159,496) | – | – | – | (20,742) |
| Share-based payments | – | 171,365 | – | – | – | 171,365 |
| Dividends declared | – | – | – | – | (652,843) | (652,843) |
| **At 31 December 2023** | 14,095,522 | 325,347 | (2,291) | 351,792 | (1,267,173) | 13,503,197 |

The Company may pay dividends out of its share premium account and retained earnings.

As at 31 December 2024, the Company had distributable reserves for share premium of RMB13,999,985,000 (2023: RMB14,095,522,000).

## 39. EVENTS AFTER THE REPORTING PERIOD

The Group had no material events after the reporting period up to the date of this report.

## 40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 21 March 2025.

# Definitions

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

| | |
|---|---|
| "ADC" | antibody-drug conjugate |
| "AGM" | the annual general meeting of the Company proposed to be held on Friday, June 20, 2025 |
| "Amgen" | Amgen INC |
| "Apex Medical" | APEX MEDICAL COMPANY LTD., a company incorporated in the BVI as a limited liability company and wholly-owned by Mr. Cen Junda |
| "AQP4" | anti-aquaporin-4 |
| "Articles of Association" | the articles of association of the Company (as amended from time to time), conditionally adopted on May 27, 2019 |
| "ASCO" | the American Society of Clinical Oncology |
| "Associate" | has the meaning ascribed thereto under the Listing Rules |
| "Audit Committee" | the audit committee of the Board |
| "BD" | business development |
| "Biotheus" | Biotheus Inc. |
| "Board" | the board of Directors of the Company |
| "Board Diversity Policy" | the board diversity policy of the Company adopted on November 26, 2018 |
| "BTKi" | Bruton's tyrosine kinase inhibitor |
| "BVI" | the British Virgin Islands |
| "Changzhou Hansoh" | Changzhou Hansoh Pharmaceutical Co., Ltd. * (常州恒邦藥業有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company |
| "China" or "PRC" | the People's Republic of China |
| "CKD" | chronic kidney disease |
| "CNS" | central nervous system |

# Definitions

| | |
|---|---|
| "Company" or "our Company" | Hansoh Pharmaceutical Group Company Limited, a company incorporated in the Cayman Islands with limited liability, its shares are listed and traded on the Main Board of the Stock Exchange |
| "Company Code" | the Company's own code of conduct regarding securities transactions of the Company by Directors and relevant employees |
| "connected transaction" | has the meaning ascribed thereto under the Listing Rules |
| "Controlling Shareholder(s)" | has the meaning ascribed thereto under the Listing Rules and, unless the context otherwise requires, refers to Stellar Infinity, Sunrise Investment and Ms. Zhong Huijuan |
| "Convertible Bonds" | On January 22, 2021, the Company completed the issuance of US$600 million of zero-coupon convertible bonds due in 2026 to professional investors (has the meaning given to it in the Securities and Futures Ordinance (Cap. 571) and the Securities and Futures (Professional Investors) Rules (Cap. 571D)), which are listed and traded on the Stock Exchange with bond code of 40546 |
| "Corporate Governance Code" | the Corporate Governance Code as set out in Appendix C1 to the Listing Rules |
| "CSCO" | the Chinese Society of Clinical Oncology |
| "Director(s)" | the director(s) of the Company |
| "DKD" | diabetic kidney disease |
| "EGFR" | epidermal growth factor receptor |
| "EGFR-TKI" | epidermal growth factor receptor-tyrosine kinase inhibitor |
| "ELCC" | the European Lung Cancer Congress |
| "EMA" | the European Medicines Agency |
| "EPOR" | EPO Receptor |
| "ESA" | erythropoiesis stimulating agent |

# Definitions

| | |
|---|---|
| "ESG" | environmental, social and governance |
| "ESG Committee" | the environmental, social and governance committee of the Board |
| "ESMO" | the European Society of Medical Oncology |
| "ES-SCLC" | extensive-stage small-cell lung cancer |
| "FDA" | the United States Food and Drug Administration |
| "GLP-1" | glucagon-like peptide-1 |
| "GLP-1RA" | GLP-1 receptor agonist |
| "GMP" | Good Manufacturing Practice |
| "Group", "our Group", "we" or "us" | the Company and its subsidiaries and, in respect of the period before the Company became the holding company of our present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be) |
| "GSK" | GlaxoSmithKline Intellectual Property (No.4) Limited |
| "Hansoh Health" | Hansoh (Shanghai) Healthtech Co., Ltd.* (翰森(上海)健康科技有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company |
| "Harmonia Holding" | Harmonia Holding Investing (PTC) Limited |
| "HK$" or "Hong Kong dollar(s)" or "cent" | Hong Kong dollars, the lawful currency of Hong Kong |
| "Hong Kong" or "HK" | the Hong Kong Special Administrative Region of the PRC |
| "IgG4-RD" | IgG4-related diseases |
| "Jiangsu Hansoh" | Jiangsu Hansoh Pharmaceutical Group Co., Ltd.* (江蘇豪森藥業集團有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company |
| "Latest Practicable Date" | April 21, 2025, being the latest practicable date prior to the printing of this annual report for the purpose of ascertaining certain information contained herein |
| "Listing Rules" | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time |
| "Lupeng Pharma" | Guangzhou Lupeng Pharmaceutical Co., Ltd.* (廣州麓鵬製藥有限公司) |

# Definitions

| | |
|---|---|
| "Main Board" | the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange. For the avoidance of doubt, the Main Board excludes the Growth Enterprise Market of the 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 |
| "MSD" | Merck Sharp & Dohme LLC |
| "NDA" | New Drug Application |
| "NMOSD" | neuromyelitis optica spectrum disorders |
| "NHC" | the National Health Commission of the PRC (中國國家衛生健康委員會) |
| "NMPA" | the National Medical Products Administration of the PRC (中國國家藥品監督管理局) |
| "Nomination Committee" | the nomination committee of the Board |
| "NRDL" | the National Reimbursement Drug List for Basic Medical Insurance, Work–Related Injury Insurance and Maternity Insurance Catalogue* (國家基本醫療保險、工傷保險和生育保險藥品目錄) released by the National Healthcare Security Administration (國家醫保局) and the Ministry of Human Resources and Social Security (人力資源社會保障部) |
| "NSCLC" | non-small cell lung cancer |
| "Prospectus" | the prospectus of the Company dated May 31, 2019 |
| "Qyuns" | Qyuns Therapeutics Co., Ltd. |
| "R&D" | research and development |
| "Remuneration Committee" | the remuneration committee of the Board |
| "Renminbi" or "RMB" | Renminbi, the lawful currency of the PRC |
| "Reporting Period" | the period of 12 months from January 1, 2024 to December 31, 2024 |
| "RSU(s)" | restricted share unit(s) |
| "RSU Scheme" | the scheme conditionally approved and adopted by the Company on May 27, 2019, which has granted RSUs upon completion of the Global Offering, the details of which are set out in the section headed "Statutory and General Information" in Appendix IV of the Company's Prospectus |

# Definitions

| | |
|---|---|
| "RSU Trustee" | Computershare Hong Kong Trustees Limited |
| "SFO" | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| "Shanghai Hansoh" | Shanghai Hansoh Biomedical Co., Ltd.* (上海翰森生物醫藥科技有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company |
| "Share(s)" | ordinary share(s) of the Company with nominal value of HK$0.00001 each, which are listed and traded on the Stock Exchange |
| "Shareholder(s)" | holder(s) of Shares |
| "State Council" | the State Council of the PRC (中華人民共和國國務院) |
| "Stellar Infinity" | Stellar Infinity Company Ltd., a company incorporated in the BVI as a limited liability company and held as to 100% by Sunrise Investment |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Strategy and Development Committee" | the strategy and development committee of the Board |
| "subsidiary" or "subsidiaries" | has the meaning ascribed thereto under the Listing Rules |
| "Substantial Shareholder(s)" | has the meaning ascribed thereto under the Listing Rules |
| "Sunrise Investment" | Sunrise Investment Advisors Limited, a company incorporated in the BVI with limited liability and held as to 100% by Harmonia Holding |
| "Sunrise Trust" | Sunrise Trust, a discretionary trust set up by Ms. Sun, of which Harmonia Holding acts as the trustee pursuant to a trust deed dated January 28, 2016 |
| "TKI" | tyrosine kinase inhibitor |
| "TYK2" | targeted tyrosine kinase 2 |
| "WCLC" | the World Conference on Lung Cancer |
| "%" | percentage |

*   *For identification purposes only*