CHINA MEDICAL SYSTEM HOLDINGS LIMITED
康哲藥業控股有限公司

(Company Registration Number: 179153)
(An exempted company incorporated in the Cayman Islands with limited liability on 18 December 2006)

INTRODUCTORY DOCUMENT DATED 27 JUNE 2025

This Introductory Document is important. You should consider the information provided in this Introductory Document carefully, and consider whether you understand what is described in this Introductory Document. If you are in any doubt as to the action you should take, you should consult your legal, financial, tax or other professional adviser. You are responsible for your own investment choices.

This introductory document (the "**Introductory Document**") is issued by China Medical System Holdings Limited (the "**Company**") in connection with the secondary listing by way of introduction **(the "Introduction")** of the issued ordinary shares of our Company (the "**Shares**") on the Main Board of the SGX-ST (as defined herein). This Introductory Document provides information on our Company and our Shares in compliance with the listing requirements of the SGX-ST. Our Shares are listed on The Stock Exchange of Hong Kong Limited ("**HKSE**") under the stock code "867" and will continue to be primarily listed and traded on the HKSE following the completion of the Introduction.

An application has been made to the SGX-ST for permission to list all our Shares on the Main Board of the SGX-ST, which will be granted when we have been admitted to the Official List of the SGX-ST. There are certain risks in connection with an investment in our Shares. Please refer to the section entitled "*Risk Factors*" of this Introductory Document for further details. When our Shares become tradable on the SGX-ST, they will be quoted and traded in Singapore dollars. Our Shares will be traded in board lot size of 100 Shares.

Our Company has received a letter of eligibility from the SGX-ST for the listing and quotation of our Shares on the Main Board of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any statements or opinions made or reports contained in this Introductory Document. Our Company's eligibility to list and admission to the Official List of the SGX-ST are not to be taken as an indication of the merits of the Introduction, our Group (as defined herein), our Company or our Shares.

This Introductory Document is issued for information purposes only. Nothing in this Introductory Document constitutes or shall be construed as an offer, or an invitation or a solicitation of an offer by us or on our behalf, to the public to subscribe for or purchase, any of our Shares. No Shares or any other securities shall be allotted or allocated on the basis of this Introductory Document. This Introductory Document is not a prospectus under Singapore law and has not been lodged with, or registered by, the Monetary Authority of Singapore (the "**MAS**"). The MAS assumes no responsibility for the contents of this Introductory Document. The MAS has not, in any way, considered the merits of our Shares being listed.

Issue Manager

CGS INTERNATIONAL SECURITIES SINGAPORE PTE. LTD.
(Company Registration No.: 198701621D) (Incorporated in the Republic of Singapore)

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NOTICE TO INVESTORS

No person is authorised to give any information or to make any representation not contained in this Introductory Document, and any information or representation not so contained must not be relied upon as having been authorised by our Company or the Issue Manager (as defined herein). The delivery of this Introductory Document shall not under any circumstances imply that the information herein is correct as of any date subsequent to the date hereof or constitute a representation that there has been no change or development reasonably likely to involve a material adverse change in the affairs, conditions and prospects of our Group or our Shares since the date hereof. Where such changes occur and are material or required to be disclosed by law, the SGX-ST and/or any other regulatory or supervisory body or agency, our Company will make an announcement of the same to the SGX-ST. Recipients of this Introductory Document and all prospective investors in our Shares should take note of such announcements and documents and upon release of such announcements or documents shall be deemed to have notice of such changes. No representation, warranty or covenant, expressed or implied, is made by our Company, the Issue Manager or any of our or their respective affiliates, directors, officers, employees, agents, representatives or advisers as to the accuracy or completeness of the information contained herein, and nothing contained in this Introductory Document is, or shall be relied upon, as a promise, representation or covenant by our Company, the Issue Manager or any of our or their respective affiliates, directors, officers, employees, agents, representatives or advisers.

Recipients of this Introductory Document and all prospective investors in our Shares should not construe the contents of this Introductory Document or its appendices as legal, business, financial or tax advice. Recipients of this Introductory Document and all prospective investors in our Shares should consult their own professional advisers as to the legal, business, financial, tax and related aspects of holding and owning our Shares.

This Introductory Document has been prepared solely for the purpose of the Introduction and may not be relied upon by any persons for purposes other than the Introduction prior to the Listing Date (as defined herein) or for any purpose whatsoever on or after the Listing Date. This Introductory Document does not constitute, and nothing in this Introductory Document constitutes or shall be construed to constitute an offer, invitation or solicitation in any jurisdiction to subscribe for or purchase our Shares. This Introductory Document does not constitute a prospectus under Singapore law and has not been lodged with or registered by the MAS.

The use or distribution of this Introductory Document may be prohibited or restricted by law in certain jurisdictions. Our Company and the Issue Manager require persons into whose possession this Introductory Document comes to inform themselves of and to observe any such prohibition or restriction at their own expense and without liability to our Company and the Issue Manager. Persons to whom a copy of this Introductory Document has been issued shall not circulate to any other person, reproduce or otherwise distribute this Introductory Document or any information herein for any purpose whatsoever nor permit or cause the same to occur.

Certain Chinese names and characters, such as those of entities, properties, cities, governmental and regulatory authorities, laws and regulations and notices, have been translated into English or from English names and characters, solely for your convenience, and such translations should not be construed as representations that the English names actually represent Chinese names and characters or that the Chinese names actually represent the English names and characters.

FORWARD-LOOKING STATEMENTS

Certain statements in this Introductory Document constitute "forward-looking statements". All statements other than statements of historical fact included in this Introductory Document, including those regarding our financial position and results, business strategies, plans and objectives of management for future operations (including development plans and dividends), are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future.

Forward-looking statements involve inherent risks and uncertainties. The forward-looking statements included in this Introductory Document reflect our current views with respect to future events and are not a guarantee of future performance. You can identify these forward-looking statements by words or phrases such as "may", "will", "expect", "anticipate", "aim", "estimate", "intend", "plan", "believe", "likely to", or other similar expressions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. A number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement. These include, but are not limited to:

- our goals and strategies;
- our ability to maintain relationship with, and the actions and developments affecting, our licensors, customers and suppliers;
- our future business development, financial condition and results of operations;
- shortage of raw materials or increases in raw materials costs;
- effects of competition;
- slowing demand or additional capacity of supply;
- our ability to reduce costs and offer competitive prices;
- changes or volatility in foreign exchange, inflation, interest rates, equity prices, volumes, operations, margins, risk management and overall market trends;
- the effects of the global financial markets and economic crisis;
- capital market developments;
- the effectiveness of our quality control systems;
- our dividend policy;
- changes in laws, regulations, governmental policies and general outlook applicable to our industry or business, including licensing requirements;
- general economic, political, legal and regulatory conditions in the countries in which we operate;

- other factors beyond the control of our Group or any other matters not yet known to us; and

- additional factors that could cause our actual results, performance or achievements to differ materially including, but not limited to, those discussed under the sections entitled "*Risk Factors*", "*Dividend Policy*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Business*" and "*Pharmaceutical Industry and Prospects*" of this Introductory Document.

You should read this Introductory Document and the documents that we refer to in this Introductory Document with the understanding that our actual future results may be materially different from or worse than what we expect. Other sections of this Introductory Document include additional factors which could adversely impact our business and financial performance. Moreover, we operate in an evolving environment. New risk factors and uncertainties emerge from time to time and it is not possible for our management to predict all risk factors and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. We qualify all of our forward-looking statements by these cautionary statements.

You should not rely upon forward-looking statements as predictions of future events. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

This Introductory Document contains certain data and information that we obtained from industry publications and reports generated by third party providers of market intelligence. Our Company, our Directors and the Issue Manager (except where reasonable and appropriate to do so) have not independently verified the accuracy or completeness of the data and information contained in these publications and reports. Statistical data in these publications also include projections based on a number of assumptions. The pharmaceutical industry may not grow at the rate projected by market data, or at all. Failure of the industry to grow at the projected rate may have a material and adverse effect on our business and the market price of our Shares. If any one or more of the assumptions underlying the market data are later found to be incorrect, actual results may differ from the projections based on these assumptions. These forward-looking statements speak only as at the date of this Introductory Document. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Any such information may change in light of future developments. We expressly disclaim any obligation or undertaking to release publicly any updates of or revisions to any forward-looking statement or financial information contained herein to reflect any change in the expectations of our Company with regard thereto or any change in events, conditions or circumstances on which any such statement or information is based, subject to compliance with all applicable laws and regulations and/or the rules of the SGX-ST and/or any other relevant regulatory or supervisory body or agency.

ENFORCEABILITY OF CIVIL LIABILITIES

We are incorporated in the Cayman Islands to take advantage of certain benefits associated with being a Cayman Islands exempted company, such as:

- the political and economic stability;

- an effective judicial system;

- a favourable tax system;

- the absence of exchange control or currency restrictions; and

- the availability of professional and support services.

However, certain disadvantages accompany an incorporation in the Cayman Islands. These disadvantages include but are not limited to that the Cayman Islands may have a less developed body of securities laws as compared to Hong Kong and Singapore and these securities laws may provide less protection to investors as compared to Hong Kong and Singapore.

Our constituent documents do not contain provisions requiring that disputes, including those arising under the securities laws of Hong Kong or Singapore, between us, our officers, Directors and Shareholders (as defined herein), be arbitrated.

A substantial portion of our revenue is generated from China, and a significant portion of our tangible assets is located in China. A majority of our Directors and Executive Officers (as defined herein) are nationals or residents of China and/or Hong Kong (China). As a result, depending on the subject of a claim, it may be difficult for a Shareholder within Hong Kong (China) and/or Singapore to effect service of process upon these individuals (to the extent such service is to be effected in another jurisdiction), or to bring an action against us or these individuals in Hong Kong (China) and/or Singapore (to the extent such action is to be brought in another jurisdiction), or to enforce against us or them judgments obtained in Hong Kong (China) and/or Singapore courts (as judgments obtained in a foreign jurisdiction, as applicable), including judgments predicated upon the civil liability provisions of the securities laws of Hong Kong (China) or Singapore.

The Cayman Islands

Although there is no statutory enforcement in the Cayman Islands of judgments obtained in the courts of Hong Kong or Singapore (and the Cayman Islands are not a party to any treaties for the reciprocal enforcement or recognition of such judgments), the Grand Court of the Cayman Islands will at common law enforce final and conclusive *in personam* judgments of courts of Hong Kong or Singapore (each, a "**Non-Cayman Court**") of a debt or definite sum of money against our Company (other than a sum of money payable in respect of taxes or other charges of a like nature, a fine or other penalty (which may include a multiple damages judgment in an anti-trust action) or where enforcement would be contrary to public policy). The Grand Court of the Cayman Islands will also at common law enforce final and conclusive *in personam* judgments of the Non-Cayman Court that are non-monetary against our Company, for example, declaratory judgments ruling upon the true legal owner of shares in a Cayman Islands company. The Grand Court of the Cayman Islands will exercise its discretion in the enforcement of non-money judgments by having regard to the circumstances, such as considering whether the principles of comity apply. To be treated as final and conclusive, any relevant judgment must be regarded as *res judicata* by the Non-Cayman Court. A debt claim on a foreign judgment must be brought within six (6) years of the date of the judgment, and arrears of interest on a judgment debt cannot be recovered after six (6) years from the date on which the interest was due. The Cayman Islands courts are unlikely to enforce a judgment obtained from the Non-Cayman Court under civil liability provisions of the securities laws of Hong Kong or Singapore if such a judgment is found by the Cayman Islands courts to give rise to obligations to make payments that are penal or punitive in nature. Such a determination has not yet been made by the Grand Court of the Cayman Islands. A Cayman Islands court may stay enforcement proceedings if concurrent proceedings are being brought elsewhere. A judgment entered in default of appearance by a defendant who has had notice of the Non-Cayman Court's intention to proceed may be final and conclusive notwithstanding that the Non-Cayman Court has power to set aside its own judgment and despite the fact that it may be subject to an appeal the time-limit for which has not yet expired. The Grand Court of the Cayman Islands may safeguard the defendant's rights by granting a stay of execution pending any such appeal and may also grant interim injunctive relief as appropriate for the purpose of enforcement.

The PRC

There is uncertainty as to whether the courts of the PRC would recognise or enforce judgments of Hong Kong courts or Singapore courts obtained against us or our Directors or Executive Officers predicated upon the civil liability provisions of the securities laws of Hong Kong or Singapore.

In addition, we understand that the recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. PRC courts may recognise and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based either on treaties between the PRC and the country where the judgment is made or on principles of reciprocity between jurisdictions. The PRC does not have any treaties or other forms of reciprocity with the Cayman Islands and Singapore that provide for the reciprocal recognition and enforcement of foreign judgments. In addition, according to the PRC Civil Procedures Law, courts in the PRC will not enforce a foreign judgment against us or our Directors and Executive Officers if they decide that the judgment violates the basic principles of PRC law or national sovereignty, security or public interest. As a result, it is uncertain whether and on what basis a PRC court would enforce a judgment rendered by a court in Singapore or in the Cayman Islands. Under the PRC Civil Procedures Law, foreign shareholders may originate actions based on PRC law against a company in the PRC for disputes if they can establish sufficient nexus to the PRC for a PRC court to have jurisdiction, and meet other procedural requirements, including, among others, the plaintiff must have a direct interest in the case, and there must be a concrete claim, a factual basis and a cause for the suit.

On 18 January 2019, the Hong Kong (China) government and the Supreme People's Court of the PRC entered into the PRC-HK (China) 2019 Arrangement, which extends the scope of judicial assistance available for civil and commercial matters. The effective date of the PRC-HK (China) 2019 Arrangement is 29 January 2024, which shall apply to judgments made by the courts of Hong Kong (China) and the PRC on or after the effective date of the PRC-HK (China) 2019 Arrangement. Notwithstanding the foregoing, recognition and enforcement of a Hong Kong (China) court judgment could be refused if the PRC courts consider that the enforcement of such judgment is contrary to the social and public interest of the PRC or meets other circumstances specified by the PRC-HK (China) 2019 Arrangement. While it is expected that the PRC courts will recognise and enforce a judgment given by Hong Kong (China) courts, there can be no assurance that the PRC courts will do so for all such judgments as there is no established practice in this area.

It will be, however, difficult for Singapore or Hong Kong (China) Shareholders to originate actions against us in the PRC in accordance with PRC laws because we are incorporated under the laws of the Cayman Islands and it will be difficult for Singapore or Hong Kong (China) Shareholders, by virtue only of their holding of our Shares, to establish a connection to the PRC for a PRC court to have jurisdiction as required under the PRC Civil Procedures Law.

Hong Kong (China)

A foreign judgment may or may not be enforced in Hong Kong (China). A foreign judgment in civil and commercial matters (other than a PRC judgment) may be enforced in Hong Kong (China) by one of two avenues, either through the statutory registration scheme based on reciprocity under the FJRO, or under common law. A PRC judgment in civil and commercial matters may be enforced in Hong Kong (China) by one of three avenues – either through the statutory registration regime under the MJREO, the statutory registration regime under the MJCCMREO, or under common law. As explained further below, the applicability of MJREO and MJCCMREO depends on the date of the PRC judgment and the date on which the choice of court agreement is made between the parties.

The FJRO enables the enforcement of foreign judgments (other than PRC judgments) through a process of registration of judgments from the superior courts in designated countries and certain parts of the Commonwealth which have reciprocal arrangements with Hong Kong (China), provided that requirements under the FJRO are met. Such requirements include (among other things) that the foreign

judgment is final and conclusive as between the parties thereto, and there is payable under the foreign judgment a sum of money not being a sum payable in respect of taxes or a fine or other penalty. A judgment made by, for example, a Singapore court having unlimited jurisdiction in civil and criminal matters can be enforced in Hong Kong (China) under the FJRO. The defences that are available to a defendant in enforcement proceedings under the FJRO include lack of jurisdiction of the original court, failure of the defendant to receive notice of the proceedings before the original court in sufficient time to enable him to defend the proceedings and the defendant did not appear, fraud, and contrary to public policy.

Foreign judgments in civil and commercial matters deriving from countries, other than those designated under the FJRO and PRC judgments which do not meet the requirements under the MJREO or the MJCCMREO, may be enforced by common law. This means that proceedings for enforcement of such a foreign judgment may be commenced in the Hong Kong (China) courts by writ. In a common law action for enforcement of a foreign judgment in civil and commercial matters in Hong Kong (China), the enforcement is subject to various conditions, including but not limited to, that the foreign judgment is a final judgment conclusive upon the merits of the claim, and such a judgment must be for a fixed sum and must also come from a "competent" court as determined by the private international law rules applied by the Hong Kong (China) courts. The defences that are available to a defendant in a common law action brought on the basis of a foreign judgment include lack of jurisdiction, breach of natural justice, fraud, and contrary to public policy.

The MJREO applies to (a) judgments given on or after 1 August 2008 and before 29 January 2024 as well as (b) judgments given on or after 29 January 2024 but the parties' choice of court agreement was made before 29 January 2024. Under the MJREO, PRC judgments can be recognised and enforced in Hong Kong (China) provided that certain requirements are met, including but not limited to, that the judgment must be a final and conclusive judgment enforceable in the PRC, the judgment orders the payment of a sum of money (not being a sum payable in respect of taxes, or a fine or other penalty), the judgment was made by certain designated courts in the PRC, the judgment is in connection with disputes arising from civil or commercial contracts, and the parties must have entered into an exclusive jurisdiction agreement (i.e., a choice of PRC court agreement) on or after 1 August 2008 to the exclusion of other jurisdictions.

The MJCCMREO applies to judgments given on or after 29 January 2024 and has expanded the scope of judgments that could be enforced between Hong Kong (China) and the PRC. The MJCCMREO applies to judgments that are considered to be civil and commercial in nature (including both monetary and non-monetary rulings), as well as judgments which are criminal in nature but contain an order for the payment of a sum of money in respect of compensation and damages. There is no need for a written exclusive jurisdiction agreement for MJCCMREO to apply. However, the MJCCMREO does not apply to an excluded judgment, such as a judgment given in relation to corporate insolvency, debt restructuring and compromise matters. For completeness, a PRC judgment includes judgment, ruling, conciliatory statement or order of payment, but does not include a ruling given in respect of an interim measure.

Singapore

Generally, money judgments and non-money judgments issued by the Court of Final Appeal and/or the High Court of Hong Kong (the "**HK Courts**") are enforceable by way of registration in the Singapore courts, pursuant to the REFJA read with the Reciprocal Enforcement of Foreign Judgments (Hong Kong Special Administrative Region of the People's Republic of China) Order. Registration of a Hong Kong judgment is subject to certain conditions being met.

However, there is uncertainty as to whether judgments of the HK Courts based upon the civil liability provisions of the securities laws of Hong Kong will be recognised or enforced by the Singapore courts, and there is doubt as to whether the Singapore courts will enter judgments in original actions brought in the Singapore courts based solely on the civil liability provisions of these securities laws.

A “money judgment” is defined in the REFJA as “a judgment under which a sum of money is payable, not being a sum payable in respect of taxes or other charges of a similar nature or in respect of a fine or other penalty”; while a “non-money judgment” is defined in the REFJA as “a judgment that is not a money judgment, but does not include a judgment under which a sum of money is payable in respect of taxes or other charges of a similar nature or in respect of a fine or other penalty”. In other words, judgments that are registrable under the REFJA exclude “a judgment under which a sum of money is payable in respect of taxes or other charges of a similar nature or in respect of a fine or other penalty”.

The Singapore courts may not recognise or enforce any judgment from the HK Courts against us, our Directors and Executive Officers, based upon the civil liability provisions of the securities laws of Hong Kong, to the extent that the judgment is punitive or penal. It is uncertain as to whether a judgment obtained from the HK Courts under civil liability provisions of the securities law of Hong Kong would be determined by the Singapore courts to be or not to be punitive or penal in nature. Such a determination has yet to be made by any Singapore court.

Foreign judgments from the PRC are not covered by the REFJA but may be recognised and enforced under common law if they meet certain requirements, such as the judgment being for a fixed or ascertainable sum of money, the judgment being a decision on the merits of the case having final and conclusive effect, the judgment does not involve the enforcement of foreign penal, revenue or other public laws, and the absence of applicable defences to its recognition. While there is no formal and binding reciprocal enforcement arrangement between Singapore and the PRC, a judgment creditor seeking to enforce a PRC court judgment under the common law should have regard to the MOG signed on 31 August 2018 between Singapore and the PRC. The MOG, though non-binding in nature, provides some guidance as to the recognition and/or enforcement in Singapore courts of judgments issued by the courts of the PRC.

PRESENTATION OF FINANCIAL AND STATISTICAL INFORMATION

This Introductory Document contains the following financial information: the independent auditor’s report and audited consolidated financial statements of our Company and its subsidiaries as at and for each of the years ended 31 December 2022, 2023 and 2024, as set out in Appendix A to this Introductory Document (the "**Audited Consolidated Financial Statements**"). Investors should exercise care and caution when viewing these financial statements. In the event of doubt, investors should consult their own professional advisers.

The Audited Consolidated Financial Statements of our Company have been prepared by our Company in accordance with the IFRS issued by the International Accounting Standard Board, and the disclosure requirements of the Hong Kong Companies Ordinance. The Audited Consolidated Financial Statements have been audited by Deloitte Touche Tohmatsu ("**Deloitte**" or the "**Independent Auditor**"), and the audit is conducted in accordance with the HKSA (as defined below) issued by the HKICPA (as defined below).

We have obtained a waiver from the SGX-ST from compliance with Rule 211A(3) of the Listing Manual, which requires our financial statements to be audited by certified public accountants in accordance with the SSA, ISA or US GAAS. See the section entitled "*Our Listing on the SGX-ST*" of this Introductory Document for more information. The Independent Auditor is of the opinion that there are no material differences between HKSA and ISA. The Independent Auditor has also audited and rendered unqualified audit reports in respect of the Audited Consolidated Financial Statements. Subject to the Hong Kong’s periodic disclosure regulations, it is currently expected that our Company’s financial statements will continue to be prepared (and released on the HKSE and the SGX-ST) in accordance with IFRS and audited in accordance with the HKSA, which are in compliance with such requirements in relation to financial reporting and accounting and auditing standards under the applicable rules and requirements in Hong Kong.

Figures in this Introductory Document have been subject to rounding adjustments. Accordingly, figures shown for the same item of information may vary and figures which are totals may not bean arithmetic aggregate of their components.

We maintain our accounts and publish our financial statements in RMB. This Introductory Document contains translations of RMB amounts into Singapore dollars solely for the convenience of the reader. Unless otherwise indicated, RMB amounts in this Introductory Document have been translated into Singapore dollars based on the exchange rate of RMB5.61 : S$1.00, quoted by Bloomberg L.P.[(1)] as of the Latest Practicable Date. However, these translations should not be construed as representations that RMB amounts have been, would have been or could be converted into Singapore dollars or that Singapore dollar amounts have been, would have been or could be converted into RMB at those rates or any other rate or at all. See the section entitled "*Exchange Rates and Exchange Controls*" of this Introductory Document for certain historical information on the exchange rate between the RMB and Singapore dollar.

MARKET AND INDUSTRY INFORMATION

We derive certain facts and statistics in this Introductory Document relating to the pharmaceutical industry globally from various publicly available industry, government and research publications. This Introductory Document also includes industry data and forecasts that we obtained from such industry publication and surveys, reports of governmental agencies and internal company surveys. Our Company, our Directors and the Issue Manager have taken reasonable action to ensure that the facts and statistical data used in this Introductory Document have been extracted from these sources in their proper form and context. However, our Company, our Directors and the Issue Manager (except where reasonable and appropriate to do so) have not verified the accuracy of the information extracted nor have our Company, our Directors and the Issue Manager obtained the specific consent of these sources for the inclusion of such information in this Introductory Document.

Investors should note that market data and statistics are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions.

Note:

(1) Source: Bloomberg L.P. Bloomberg L.P. has not provided its consent to the inclusion of the information extracted from its database for the purpose of Section 249 of the SFA, and it is therefore not liable for such information under Sections 253 and 254 of the SFA. While our Company, our Directors and the Issue Manager have taken reasonable actions to ensure that the information from Bloomberg L.P.'s database has been reproduced in its proper form and context, and that such information is extracted accurately and fairly in this Introductory Document, neither our Company, our Directors, the Issue Manager nor any other party has conducted an independent review of the information contained in that database or verified the accuracy of the contents of the relevant information.

CORPORATE INFORMATION

BOARD OF DIRECTORS	Mr. Lam Kong (林刚) (Chairman, Executive Director, Group President and Group CEO) Ms. Chen Yanling (陈燕玲) (Executive Director, Group Vice-president and Group CFO) Mr. Chen Hongbing (陈洪兵) (Non-Executive Director) Mr. Leung Chong Shun (梁创顺) (Independent Non-Executive Director) Ms. Luo Laura Ying (罗莹) (Independent Non-Executive Director) Mr. Fung Ching Simon (冯征) (Independent Non-Executive Director)
COMPANY SECRETARY	Ms. Wu Sanyan (吴三燕) (Company Secretary of our Company, Bachelor of Laws and Master's Degree in International Law)
REGISTERED OFFICE	Maples Corporate Services Limited P.O. Box 309 Ugland House Grand Cayman KY1-1104 Cayman Islands
HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG	Unit 2106, 21/F Island Place Tower 510 King's Road North Point, Hong Kong
REGISTRATION NUMBER	179153
ISSUE MANAGER	**CGS International Securities Singapore Pte. Ltd.** 10 Marina Boulevard #10-01 Marina Bay Financial Centre Tower 2 Singapore 018983
LEGAL ADVISER TO THE INTRODUCTION AND TO OUR COMPANY AS TO SINGAPORE LAW	**WongPartnership LLP** 12 Marina Boulevard, Level 28 Marina Bay Financial Centre Tower 3 Singapore 018982
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LEGAL ADVISER TO OUR COMPANY AS TO HONG KONG LAW	**Allen Overy Shearman Sterling** 9th Floor Three Exchange Square Central, Hong Kong

LEGAL ADVISER TO OUR COMPANY AS TO PRC LAW	**Zhong Lun Law Firm** 57/58/59/F, Tower A Ping An Finance Centre, 5033 Yitian Road Futian District, Shenzhen, Guangdong People's Republic of China
LEGAL ADVISER TO THE ISSUE MANAGER AS TO SINGAPORE LAW	**Drew & Napier LLC** 10 Collyer Quay 10th Floor Ocean Financial Centre Singapore 049315
LEGAL ADVISER TO THE ISSUE MANAGER AS TO PRC LAW	**Jingtian & Gongcheng** 34/F, Tower 3 China Central Place, 77 Jianguo Road Chaoyang District, Beijing People's Republic of China
INDEPENDENT AUDITOR	**Deloitte Touche Tohmatsu** 9/F China Resources Building, 5001 Shennan Road East Shenzhen, Guangdong People's Republic of China Partner-in-charge: Mr. Sunnie Sy (practising certificate holder of the HKICPA)
CAYMAN ISLANDS PRINCIPAL SECURITIES REGISTRAR	**Maples Corporate Services Limited** P.O. Box 309 Ugland House Grand Cayman KY1-1104 Cayman Islands
HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE	**Computershare Hong Kong Investor Services Limited** Shops 1712–1716 17/F, Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
SINGAPORE SHARE TRANSFER AGENT	**In.Corp Corporate Services Pte. Ltd.** 36 Robinson Road #20-01 City House Singapore 068877

PRINCIPAL BANKERS OF OUR GROUP	**China Merchants Bank Co., Ltd.** China Merchants Bank Tower 7088 Shennan Boulevard Futian District, Shenzhen, Guangdong The People's Republic of China **The Hongkong and Shanghai Banking Corporation Limited** Level 10 HSBC Main Building 1 Queen's Road Central Central, Hong Kong **Standard Chartered Bank (Hong Kong) Limited** 32nd Floor 4-4A Des Voeux Road Central, Hong Kong **DBS Bank (Hong Kong) Limited** 18th Floor The Center 99 Queen's Road Central Central, Hong Kong

DEFINED TERMS AND ABBREVIATIONS

The following definitions of certain terms and abbreviations when used in this Introductory Document shall bear the same meanings as set forth below unless otherwise defined herein or the context otherwise requires:

Our Group

Company	:	China Medical System Holdings Limited (康哲药业控股有限公司)
CMS Vision	:	CMS Vision International Management Limited
Dermavon Pharmaceutical Technology	:	Hainan Dermavon Pharmaceutical Technology Co., Ltd. (formerly known as Hainan Kangzhe Skinhealth Technology Co., Ltd.) (海南德镁医药科技有限责任公司，前称为海南康哲美丽科技有限公司)
Hainan Kangzhe Vision	:	Hainan Kangzhe Vision Technology Co., Ltd. (海南康哲维盛科技有限公司)
Hunan Medical	:	Kangzhe (Hunan) Medical Co., Ltd. (康哲（湖南）制药有限公司)
Rxilient Health	:	Rxilient Health Pte. Ltd.
Shenzhen Kangzhe	:	Shenzhen Kangzhe Pharmaceutical Co., Ltd. (深圳市康哲药业有限公司)
Tianjin Kangzhe	:	Tianjin Kangzhe Vision Pharmaceutical Technology Development Co., Ltd. (天津康哲维盛医药科技发展有限公司)
Tibet Kangzhe Pharmaceutical	:	Tibet Kangzhe Pharmaceutical Development Co., Ltd. (西藏康哲药业发展有限公司)

General

2009 Scheme	:	The employee benefit scheme adopted by our Company on 31 July 2009
Administrative Measures for Non-Resident Enterprises to Enjoy Treatments under the Double Taxation Avoidance Arrangement	:	The Administrative Measures for Non-Resident Enterprises to Enjoy Treatments under the Double Taxation Avoidance Arrangement (《非居民纳税人享受协定待遇管理办法》), as amended, supplemented or otherwise modified from time to time

Administrative Regulations for the Contract Manufacturing of Drugs	:	The Administrative Regulations for the Contract Manufacturing of Drugs (《药品委托生产监督管理规定》), as amended, supplemented or otherwise modified from time to time
Administrative Regulations on Foreign Exchange	:	The Administrative Regulations on Foreign Exchange of the PRC (《中华人民共和国外汇管理条例》), as amended, supplemented or otherwise modified from time to time
AFRC	:	Accounting and Financial Reporting Council of Hong Kong
AIM	:	The Alternative Investment Market operated by the London Stock Exchange
Announcement 39	:	The Announcement on Relevant Policies on Deepening of the Reform of Value-added Tax (《关于深化增值税改革有关政策的公告》), jointly issued by the MOF, STA and GAC
Anti-Monopoly Law	:	The Anti-Monopoly Law of the PRC (《中华人民共和国反垄断法》), as amended, supplemented or otherwise modified from time to time
APAC	:	Asia-Pacific
Articles of Association	:	The amended and restated articles of association of our Company, as amended or modified from time to time
Audit Committee	:	The audit committee of our Board
Audited Consolidated Financial Statements	:	The audited consolidated financial statements of our Group as of and for each of the years ended 31 December 2022, 2023 and 2024
Awarded Share(s)	:	The awarded share(s) under the Share Award Scheme
Board *or* ***Board of Directors***	:	The Board of Directors of our Company as at the date of this Introductory Document, unless otherwise stated
Bonus Scheme	:	The employee cash scheme adopted by our Company on 22 December 2016
Brexit	:	Brexit refers to the United Kingdom's withdrawal from the European Union after voting to do so in a June 2016 referendum
BRO	:	The Business Registration Ordinance (Cap. 310 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

CAC	:	The Cyberspace Administration of China (国家互联网信息办公室)
CAGR	:	Compound annual growth rate
Cayman Islands Companies Act	:	The Companies Act (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
Cayman Islands Tax Concessions Act	:	The Tax Concessions Act (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
CCASS	:	The Central Clearing and Settlement System established and operated by HKSCC
CCASS Clearing Participant	:	A person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
CCASS Custodian Participant	:	A person admitted to participate in CCASS as a custodian participant
CCASS Investor Participant	:	A person admitted to participate in CCASS as an investor participant, who may be an individual, joint individuals or a corporation
CCASS Participant	:	A CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
CCASS Rules	:	The General Rules of CCASS and CCASS Operational Procedures, as amended, supplemented or otherwise modified from time to time
CDE	:	The Centre for Drug Evaluation of the NMPA (国家药品监督管理局药品审评中心)
CDP	:	The Central Depository (Pte) Limited
CDP Depositors	:	Depositors holding Shares under direct accounts with CDP or securities sub-accounts with a Depository Agent
CFDA	:	The China Food and Drug Administration of the PRC (国家食品药品监督管理总局)
CFDI	:	The Centre for Food and Drug Inspection of the National Medical Products Administration of the PRC (国家食品药品监督总局食品药品审核查验中心)
CFO	:	Chief Financial Officer
Circular 7	:	The Circular on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises (《关于非居民企业间接转让财产企业所得税

		若干问题的公告》), as amended, supplemented or otherwise modified from time to time
Circular 37	:	The Circular on Issues of Tax Withholding regarding Non-PRC Resident Enterprise Income Tax (《关于非居民企业所得税源泉扣缴有关问题的公告》), as amended, supplemented or otherwise modified from time to time
Circular 82	:	The Notice Regarding the Determination of Chinese-Controlled Offshore-Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《关于境外注册中资控股企业依据实际管理机构标准认定为居民企业有关问题的通知》), as amended, supplemented or otherwise modified from time to time
Code Provisions	:	The code provisions as set out in the Corporate Governance Code contained in Appendix 14 of the Hong Kong Listing Rules
Companies Ordinance	:	The Companies Ordinance (Cap. 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
Copyright Law	:	The Copyright Law of the PRC (《中华人民共和国著作权法》), as amended, supplemented or otherwise modified from time to time
COVID-19	:	Coronavirus Disease 2019
CSRC	:	The China Securities Regulatory Commission (中国证券监督管理委员会)
Deloitte *or* ***Independent Auditor***	:	Deloitte Touche Tohmatsu
Directors	:	The directors of our Company as at the date of this Introductory Document, unless otherwise stated
Dividend Policy	:	The dividend policy as reflected in our Company's annual reports from time to time
Domain Name Measures	:	The Measures on Administration of Internet Domain Names (《互联网域名管理办法》), as amended, supplemented or otherwise modified from time to time
Double Taxation Avoidance Arrangement	:	The Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《内地和香港特别行政区关于对所得避免双重征税和防止偷漏税的安排》), as amended, supplemented or otherwise modified from time to time

Drug Manufacturing Licence	:	Drug Manufacturing Licence by NMPA (药品生产许可证)
East Kingdom	:	East Kingdom International Limited, a company incorporated in Hong Kong which was 99% owned by Mr. Lam Kong
EFMA	:	The Employment of Foreign Manpower Act 1990 of Singapore, as amended, supplemented or otherwise modified from time to time
EFMA(R)	:	The Employment of Foreign Manpower (Work Passes) Regulations 2012 of Singapore, as amended, supplemented or otherwise modified from time to time
EIA	:	Environmental impact assessment
EIR	:	Environmental impact report
EIS	:	Environmental impact statement
EIT	:	Enterprise Income Tax
EIT Implementation Regulations	:	The Regulations for the Implementation of the Enterprise Income Tax Law of the PRC (《中华人民共和国企业所得税法实施条例》), promulgated on 6 December 2007 and came into effect on 1 January 2008 and was most recently amended on 6 December 2024 which became effective on 20 January 2025, as amended, supplemented or otherwise modified from time to time
EIT Law	:	The Enterprise Income Tax Law of the PRC (《中华人民共和国企业所得税法》), promulgated on 16 March 2007 and came into effect on 1 January 2008 and was most recently amended on 29 December 2018 which became effective on the same date, as amended, supplemented or otherwise modified from time to time
Employment Act	:	The Employment Act 1968 of Singapore, as amended, supplemented or otherwise modified from time to time
Employment Ordinance	:	The Employment Ordinance (Cap. 57 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
Environmental Protection Law	:	The Environmental Protection Law of the PRC (《中华人民共和国环境保护法》), as amended, supplemented or otherwise modified from time to time
ESG	:	Environmental, social, and corporate governance
Executive Directors	:	The executive Directors of our Company as at the date of this Introductory Document, unless otherwise stated

Executive Officers	:	The senior management of our Company as at the date of this Introductory Document, which are named in the section entitled "*Management and Corporate Governance – Directors and Executive Officers – Executive Officers*", unless otherwise stated
FIE	:	Foreign Investment Enterprise
FJRO	:	The Foreign Judgments (Reciprocal Enforcement) Ordinance (Cap. 319 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
Foreign Investment Law	:	The Foreign Investment Law of the PRC (《中华人民共和国外商投资法》), promulgated by the National People's Congress in March 2019, which became effective on 1 January 2020, as amended, supplemented or otherwise modified from time to time
Foreign Trade Law	:	The Foreign Trade Law of the PRC (《中华人民共和国对外贸易法》), as amended, supplemented or otherwise modified from time to time
FY	:	Financial year ended 31 December
FY2022	:	Financial year ended 31 December 2022
FY2023	:	Financial year ended 31 December 2023
FY2024	:	Financial year ended 31 December 2024
General Office of the State Council	:	The General Office of the State Council (中华人民共和国国务院办公厅)
Group, our, we or us	:	our Company and its subsidiaries from time to time or, where the context so requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
GST	:	Goods and services tax
HKICPA	:	The Hong Kong Institute of Certified Public Accountants
HKIRD	:	The Hong Kong Inland Revenue Department
HKSA	:	Hong Kong Standards on Auditing
HKSCC	:	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of the Hong Kong Exchanges and Clearing Limited
HKSCC Nominees	:	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC

HKSE	:	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchange and Clearing Limited
Hong Kong or Hong Kong (China) or Hong Kong, China or the Hong Kong Special Administrative Region	:	The Hong Kong Special Administrative Region of the PRC
Hong Kong Branch Share Registrar	:	Computershare Hong Kong Investor Services Limited
Hong Kong 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
IFRS	:	International Financial Reporting Standards
Immigration Act	:	The Immigration Act 1959 of Singapore, as amended, modified or supplemented from time to time
Implementation Notice	:	The Notice on the Implementation Opinions on the "Two-Invoice System" in Drug Procurement by Public Medical Institutions (Trial) (《关于在公立医疗机构药品采购中推行"两票制"的实施意见（试行）的通知》)
Import and Export (Registration) Regulations	:	Import and Export (Registration) Regulations (Cap. 60E of the Laws of Hong Kong), as amended, modified or supplemented from time to time
Independent Directors	:	The independent Directors of our Company as at the date of this Introductory Document, unless otherwise stated
Introduction	:	The secondary listing by way of introduction of our Shares on the Main Board of the SGX-ST
Introductory Document	:	This Introductory Document dated 27 June 2025 issued by our Company in respect of the Introduction
IRO	:	Inland Revenue Ordinance (Cap. 112 of the Laws of Hong Kong), as amended, modified or supplemented from time to time
ISA	:	International Standards on Auditing
ISO	:	International Organisation for Standardisation
Issue Manager	:	CGS International Securities Singapore Pte. Ltd., as the issue manager to this Introduction
IT	:	Information technology

Latest Practicable Date	:	16 June 2025, being the latest practicable date prior to the issue of this Introductory Document
Listing Date	:	The date on which trading of our Shares on the SGX-ST commences
Listing Manual	:	The listing manual of SGX-ST, as amended, modified or supplemented from time to time
Listing Rules	:	The listing rules of SGX-ST, as amended, modified or supplemented from time to time
M&A Rules	:	The Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (《关于外国投资者并购境内企业的规定》), promulgated by the MOFCOM and other governmental authorities on 8 August 2006, effective on 8 September 2006 and subsequently amended on 22 June 2009
Macau or Macau (China) or Macau, China	:	The Macau Special Administrative Region of the PRC
Market Day	:	A day on which the SGX-ST and/or the HKSE is open for trading in securities
MAS	:	Monetary Authority of Singapore
Master Scheme	:	A trust established by our Company for the Bonus Scheme and New KEB Scheme
Measures for Cybersecurity Review	:	The Measures for Cybersecurity Review (《网络安全审查办法》), as amended, supplemented or otherwise modified from time to time
Measures for the Administration of Drug Registration	:	The Measures for the Administration of Drug Registration (《药品注册管理办法》), as amended, supplemented or otherwise modified from time to time
Measures for the Supervision and Administration of Drugs	:	The Measures for the Supervision and Administration of Drugs (《药品生产监督管理办法》), as amended, supplemented or otherwise modified from time to time
Measures on Health and Medical Care Big Data	:	The Administrative Measures on National Health and Medical Care Big Data Standards, Security and Services (Trial) (《国家健康医疗大数据标准、安全和服务管理办法（试行）》), as amended, supplemented or otherwise modified from time to time
Measures on Standard Contract	:	The Measures on the Standard Contract for Outbound Transfer of Personal Information (《个人信息出境标准合同办法》), as amended, supplemented or otherwise modified from time to time

Memorandum	:	The amended and restated memorandum of association of our Company, as amended or modified from time to time
MIIT	:	The Ministry of Industry and Information Technology of the PRC (中华人民共和国工业和信息化部), and its predecessor known as the Ministry of Information Industry of the PRC (中华人民共和国信息产业部)
MJCCMREO	:	Mainland Judgments in Civil and Commercial Matters (Reciprocal Enforcement) Ordinance (Cap. 645 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
MJREO	:	Mainland Judgments (Reciprocal Enforcement) Ordinance (Cap. 597 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
Model Code	:	The Model Code for Securities Transactions by Directors of Listed Issuers under the Hong Kong Listing Rules, as amended, modified or supplemented from time to time
MOEE	:	The Ministry of Ecology and Environment of the PRC (中华人民共和国生态环境部)
MOFCOM	:	The Ministry of Commerce of the PRC (中华人民共和国商务部), or its predecessor, the Ministry of Foreign Trade and Economic Cooperation of the PRC (中华人民共和国对外贸易经济合作部)
MOG	:	The Memorandum of Guidance on the Recognition and Enforcement of Money Judgments in Commercial Cases
MOHRSS	:	The Ministry of Human Resources and Social Security of the PRC (中华人民共和国人力资源和社会保障部)
MOHURD	:	The Ministry of Housing and Urban-Rural Development of the PRC (中华人民共和国住房和城乡建设部)
MOM	:	The Ministry of Manpower of Singapore
MPF	:	Mandatory Provident Fund
MPFSO	:	Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong), as amended, modified or supplemented from time to time
National VBP	:	The National Volume Based Procurement in the PRC
NDRC	:	The National Development and Reform Commission of the PRC (中华人民共和国国家发展和改革委员会)

NEDL	:	The National Essential Drug List (《国家基本药物目录》), as amended, supplemented or otherwise modified from time to time
New KEB Scheme	:	The employee incentive scheme adopted by our Company on 22 December 2016, replacing the 2009 Scheme and integrated under the Master Scheme
NHC	:	The National Health Commission of the PRC (中华人民共和国国家卫生健康委员会)
NHSA	:	The National Healthcare Security Administration of the PRC (中华人民共和国国家医疗保障局)
NMPA	:	The National Medical Products Administration of the PRC (中华人民共和国国家药品监督管理局)
Nomination Committee	:	The nomination committee of our Board
Non-Executive Directors	:	The non-Executive Directors of our Company as at the date of this Introductory Document, unless otherwise stated
NRDL	:	The National Drug Catalogue for Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance of the PRC (《国家基本医疗保险、工伤保险和生育保险药品目录》), also called the National Reimbursement Drug List, as amended, supplemented or otherwise modified from time to time
NRDL Administrative Measures	:	The Interim Measures for the Administration of Use of Drugs Covered by the Basic Medical Insurance (《基本医疗保险用药管理暂行办法》)
Order 11	:	The Management Rules for Overseas Investment by Enterprises (《企业境外投资管理办法》), as amended, modified or supplemented from time to time
Order 691	:	The Decisions on Abolishing the Provisional Regulations of the PRC on Business Tax and Amending the Provisional Regulations of the PRC on Value-added Tax (《关于废止<中华人民共和国营业税暂行条例>和修改<中华人民共和国增值税暂行条例>的决定》), promulgated by the State Council on 19 November 2017
OTC	:	Over-the-counter
Period under Review	:	FY2022, FY2023 and FY2024
PBOC	:	The People's Bank of China (中国人民银行)
PBOC Notice No. 9	:	The Notice of the People's Bank of China on Matters concerning the Macro-Prudential Management of Full-

		Covered Cross-Border Financing (《中国人民银行关于全口径跨境融资宏观审慎管理有关事宜的通知》)
PRC** or **China	:	The People's Republic of China, excluding, for the purposes of this Introductory Document and for geographical reference only, Hong Kong, Macau and Taiwan, except where the context otherwise requires
PRC-HK (China) 2019 Arrangement	:	The Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Cases by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《关于内地与香港特别行政区法院相互认可和执行民商事案件判决的安排》)
PRC Citizens	:	PRC companies or individuals
PRC Civil Code	:	The Civil Code of the PRC (《中华人民共和国民法典》), as amended, supplemented or otherwise modified from time to time
PRC Civil Procedures Law	:	The Civil Procedures Law of the PRC (《中华人民共和国民事诉讼法》), as amended, supplemented or otherwise modified from time to time
PRC Company Law	:	The Company Law of the PRC (《中华人民共和国公司法》), as amended, supplemented or otherwise modified from time to time
PRC Cyber Security Law	:	The Cyber Security Law of the PRC (《中华人民共和国网络安全法》), as amended, supplemented or otherwise modified from time to time
PRC Data Security Law	:	The Data Security Law of the PRC (《中华人民共和国数据安全法》), as amended, supplemented or otherwise modified from time to time
PRC Drug Administration Law	:	The Drug Administration Law of the PRC (《中华人民共和国药品管理法》), as amended, supplemented or otherwise modified from time to time
PRC Labour Contract Law	:	The Labour Contract Law of the PRC (《中华人民共和国劳动合同法》), as amended, supplemented or otherwise modified from time to time
PRC Overseas Listing Regulations	:	The Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境内企业境外发行证券和上市管理试行办法》), issued by CSRC on 17 February 2023 and became effective on 31 March 2023

PRC Personal Information Protection Law	:	The Personal Information Protection Law of the PRC (《中华人民共和国个人信息保护法》), as amended, supplemented or otherwise modified from time to time
PRC Principal Subsidiaries	:	Principal Subsidiaries incorporated in the PRC (each, a "***PRC Principal Subsidiary***")
PRDL	:	Provincial Reimbursement Drug Lists, as amended, supplemented or otherwise modified from time to time
Principal Subsidiaries	:	Subsidiary companies or entities which, in the opinion of our Directors, principally affected the results or assets of our Group (as disclosed in our Company's annual report for FY2024) or are otherwise material to the business or operations of our Group, including all entities of our Group whose absolute amount of the net assets, net liabilities or profit or loss before tax accounts for 5% or more of the absolute amount of the net assets, net liabilities or profit or loss before tax, respectively, of our Group for any of FY2022, FY2023 and FY2024 (and each, a "***Principal Subsidiary***")
Provisions on Promoting and Regulating Cross-border Data Flows	:	The Provisions on Promoting and Regulating Cross-border Data Flows (《促进和规范数据跨境流动规定》), as amended, supplemented or otherwise modified from time to time
R&D	:	Research and development
REFJA	:	The Reciprocal Enforcement of Foreign Judgments Act 1959 of Singapore, as amended, supplemented or otherwise modified from time to time
Regulations for the Implementation of the Drug Administration Law	:	The Regulations for the Implementation of the Drug Administration Law (《中华人民共和国药品管理法实施条例》), as amended, supplemented or otherwise modified from time to time
Regulations on the Administration of Housing Funds	:	The Regulations on the Administration of Housing Funds (《住房公积金管理条例》), as amended, supplemented or otherwise modified from time to time
Regulations on the Protection of the Security of Critical Information Infrastructure	:	The Regulations on the Protection of the Security of Critical Information Infrastructure (《关键信息基础设施安全保护条例》), as amended, supplemented or otherwise modified from time to time
Remuneration Committee	:	The remuneration committee of our Board
SAFE	:	State Administration of Foreign Exchange of the PRC (中华人民共和国国家外汇管理局)

SAFE Circular 13	:	The Circular on Further Simplifying and Improving the Foreign Currency Management Policy on Direct Investment (《关于进一步简化和改进直接投资外汇管理政策的通知》), as amended, supplemented or otherwise modified from time to time
SAFE Circular 16	:	The Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《关于改革和规范资本项目结汇管理政策的通知》), which was promulgated by the SAFE and became effective on 9 June 2016, as amended, supplemented or otherwise modified from time to time
SAFE Circular 19	:	The Circular on Reforming the Management Approach regarding the Settlement of Foreign Capital of Foreign-invested Enterprise (《关于改革外商投资企业外汇资本金结汇管理方式的通知》), as amended, supplemented or otherwise modified from time to time
SAFE Circular 28	:	The Circular of the State Administration of Foreign Exchange on Further Promoting Cross-border Trade and Investment Facilitation (《国家外汇管理局关于进一步促进跨境贸易投资便利化的通知》), as amended, supplemented or otherwise modified from time to time
SAFE Circular 59	:	The Circular of the State Administration of Foreign Exchange on Further Improving and Adjusting the Direct Investment Foreign Exchange Administration Policies (《关于进一步改进和调整直接投资外汇管理政策的通知》), as amended, supplemented or otherwise modified from time to time
SAMR	:	State Administration for Market Regulation of the PRC (中华人民共和国国家市场监督管理总局), formerly known as the State Administration for Industry and Commerce of the PRC (中华人民共和国国家工商行政管理总局)
SCNPC	:	The Standing Committee of the National People's Congress of the PRC (全国人民代表大会常务委员会)
Securities Account	:	Securities account maintained by a Depositor with CDP
SFO	:	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
Security Assessment Measures	:	The Outbound Data Transfer Security Assessment Measures (《数据出境安全评估办法》), as amended, supplemented or otherwise modified from time to time

Security Review Measures	:	The Measures for the Security Review of Foreign Investment (《外商投资安全审查办法》), as amended, supplemented or otherwise modified from time to time
SFA	:	Securities and Futures Act 2001 of Singapore, as amended, supplemented or otherwise modified from time to time
SFC	:	The Securities and Futures Commission of Hong Kong
SFDA	:	The State Food and Drug Administration of the PRC (国家食品药品监督管理局)
SFR	:	Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore, as amended, supplemented or otherwise modified from time to time
SGX-ST	:	Singapore Exchange Securities Trading Limited
SGXNET	:	Singapore Exchange Network, the corporate announcement system maintained by the SGX-ST for the submission of information and announcements by listed companies
Share Award Scheme	:	The share award scheme adopted on 17 January 2024 for ten years
Shareholders	:	Registered holders of Shares, except where the registered holder is CDP, the term "Shareholders" shall, in relation to such Shares, mean the Depositors whose Securities Accounts are credited with Shares
Shares	:	Ordinary shares in the capital of our Company
Singapore Companies Act	:	The Companies Act 1967 of Singapore, as amended, supplemented or otherwise modified from time to time
SITA	:	The Income Tax Act 1947 of Singapore, as amended, supplemented or otherwise modified from time to time
Social Insurance Law	:	The Social Insurance Law of the PRC (《中华人民共和国社会保险法》), which was implemented on 1 July 2011 and amended on 29 December 2018, as amended, supplemented or otherwise modified from time to time
SRF	:	Statutory Reserve Fund
SSA	:	Singapore Standards on Auditing
STA	:	State Taxation Administration of the PRC (中华人民共和国国家税务总局)

State Council	:	The State Council of the PRC (中华人民共和国中央人民政府)
Trademark Law	:	The Trademark Law of the PRC (《中华人民共和国商标法》), as amended, supplemented or otherwise modified from time to time
UK	:	United Kingdom
United States *or* ***US*** *or* ***USA***	:	United States of America
US GAAS	:	US Generally Accepted Auditing Standards
VAT		Value added tax
VAT Law	:	The Provisional Regulations of the PRC on Value-added Tax (《中华人民共和国增值税暂行条例》) and Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (《中华人民共和国增值税暂行条例实施细则》), as amended, supplemented or otherwise modified from time to time
VBP	:	Volume-based procurement
Wholly Foreign-owned Enterprise Law	:	The Wholly Foreign-owned Enterprise Law of the PRC (《中华人民共和国外资企业法》), as amended, supplemented or otherwise modified from time to time, which has expired when the Foreign Investment Law came into force
WICA	:	The Work Injury Compensation Act 2019 of Singapore, as amended, supplemented or otherwise modified from time to time
WSHA	:	The Workplace Safety and Health Act 2006 of Singapore, as amended, supplemented or otherwise modified from time to time

Currencies, Units and Others

% or per cent	:	Per centum, or percentage
DH	:	The lawful currency of the United Arab Emirates
EUR	:	The lawful currency of the European Union
HK$ *or* ***Hong Kong dollars*** *or* ***HK cents***	:	The lawful currency of Hong Kong
MOP$	:	The lawful currency of Macau
RMB *or* ***Renminbi***	:	Renminbi, the lawful currency of the PRC
S$ *or* ***Singapore dollars***	:	The lawful currency of the Republic of Singapore

sq m	:	Square metres
US$ *or* ***U.S. dollars***	:	United States dollars, the lawful currency of the United States of America

In this Introductory Document, references to our "**Company**" are to China Medical System Holdings Limited and unless the context otherwise requires, the terms "**we**", "**us**", "**our**" and "**our Group**" refer to China Medical System Holdings Limited and its subsidiaries taken as a whole. Unless the context otherwise requires, references to our "**Controlling Shareholder**" are to Mr. Lam Kong and Treasure Sea Limited unless otherwise stated. Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

The terms "**Depositor**", "**Depository Agent**" and "**Depository Register**" shall have the meanings ascribed to them respectively in Section 81SF of the SFA.

The terms "**associated company**", "**related corporation**" and "**subsidiary**" shall have the same meanings ascribed to them respectively in the SFA, the SFR, the Singapore Companies Act and/or the Listing Manual, as the case may be.

The term "**substantial shareholder**" shall have the meaning ascribed to it in under Chapter 1 of the Hong Kong Listing Rules, which means a person who is entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of a company.

Any references in this Introductory Document to any statute or enactment is a reference to that statute or enactment for the time being amended or re-enacted. Any word defined under the Singapore Companies Act, SFA, the SFR, the Listing Manual or any statutory modification thereof and used in this Introductory Document shall have the meaning assigned to it under the Singapore Companies Act, SFA, the SFR, the Listing Manual or such statutory modification, as the case may be.

Any reference to a time and date in this Introductory Document shall be a reference to Singapore time and date unless otherwise stated.

Unless we specify otherwise or the context otherwise requires, all references to the "**Shares**" refer to ordinary shares in the capital of our Company.

Certain numerical figures set out in this Introductory Document, including financial data presented in billions, millions or thousands, and percentages, have been subject to rounding adjustments and, as a result, the totals of the data in this Introductory Document may vary slightly from the actual arithmetic totals of such information. Percentages and amounts reflecting changes over time periods relating to financial and other data set forth in the section entitled "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" of this Introductory Document are approximate figures and have been calculated using the numerical data in our consolidated financial statements or the tabular presentation of other data (subject to rounding) contained in this Introductory Document, as applicable, and not using the numerical data in the narrative description thereof.

GLOSSARY OF TECHNICAL TERMS

To facilitate a better understanding of our business, the following glossary provides a description of certain technical terms and abbreviations related to our business, as used in this Introductory Document. The terms and their assigned meanings set out below may not correspond to standard industry or common meanings or usage of these terms, and should not be treated as being definitive of their meanings.

α2-GABAA receptors	:	A subtype of gamma-aminobutyric acid receptors involved in inhibitory neurotransmission in the brain, which can be activated to exert a neuroprotective effect
Acute ischemic stroke	:	A type of stroke caused by a blockage in a blood vessel supplying blood to the brain, leading to loss of neurological function
AE	:	An adverse event refers to any unfavourable medical occurrence that arises during treatment, a clinical trial or research, which may include an adverse drug reaction, a surgical complication, or the worsening of an existing condition
Aethoxysklerol	:	Polidocanol Injection
Aminosalicylic acid	:	A medication used to treat inflammatory bowel diseases
Anaemia	:	A condition characterised by a deficiency of red blood cells or haemoglobin, common in patients with chronic kidney disease due to impaired kidney function affecting the production of erythropoietin
Anchor drug	:	The primary medication around which a treatment regimen is built
Anti-PD-1 monoclonal antibody	:	A type of immunotherapy that blocks the PD-1 pathway, helping the immune system recognise and attack cancer cells
Asthenopia	:	A condition characterised by eye fatigue, discomfort, and blurred vision
Asthma	:	A chronic inflammatory disease of the airways that causes symptoms such as wheezing, coughing and shortness of breath, which is often linked to allergies or immune responses
Atopic dermatitis	:	A chronic inflammatory skin condition (also known as eczema), characterised by itchy, red and inflamed skin
Augentropfen Stulln Mono Eye Drops	:	Esculin and Digitalisglycosides Eye Drops

Authorised Economic Operators	:	A status given to businesses that comply with customs standards, allowing them to benefit from simplified customs procedures in international trade
Autoimmune diseases	:	A group of diseases in which the immune system attacks healthy cells in the body
BCG	:	Bacillus Calmette–Guérin
Best-in-class	:	A drug that is considered the most effective in its category compared to other treatments available
Bioavailability	:	The degree and rate at which a drug is absorbed into the bloodstream and becomes available at the site of action
Bioflor	:	Saccharomyces Boulardii Sachets
Bowel preparation	:	The process patients undergo to cleanse the colon before a colonoscopy, which ensures clear visibility for detecting abnormalities
Brain cytoprotectant	:	A type of medication designed to protect brain cells from damage during acute neurological events such as a stroke
Bridge clinical trial	:	A clinical trial designed to 'bridge' clinical data from studies in other populations or regions, often to support drug approval in a new country or for a new indication
Calcium accumulation	:	A risk associated with calcium-based phosphate binders, where excess calcium can build up in the body, leading to complications (such as the calcification of blood vessels)
Calcium Channel Blocker	:	A type of medication that relaxes blood vessels and increases blood supply to the heart
Carbon footprint	:	The total amount of greenhouse gases produced directly and indirectly by an individual, organisation or product
Cardio-cerebrovascular	:	Pertaining to diseases or disorders affecting the heart and blood vessels (including those in the brain)
CDMO	:	Contract development and manufacturing organisation
Central nervous system	:	The part of the nervous system comprising the brain and spinal cord
Chemokines	:	A subset of cytokines that direct the movement of immune cells to sites of infection, inflammation or trauma
Cholestatic liver disease	:	A condition in which bile flow from the liver is reduced or blocked, leading to liver damage

Chronic inflammatory dermatologic disease	:	A group of skin diseases characterised by long-term inflammation that leads to pain, swelling, and other symptoms
Chronic kidney disease	:	A long-term condition characterised by gradual loss of kidney function, often progressing to end-stage kidney disease that requires dialysis or transplant
Chronic spontaneous urticaria	:	A condition where patients experience recurrent hives without an apparent trigger, typically due to autoimmune or idiopathic causes
Cidine	:	Cinitapride Hydrogen Tartrate Tablets
CKD stages 4-5	:	Advanced stages of chronic kidney disease where the glomerular filtration rate is less than 30 mL/min/1.73 m^2, indicating severe loss of kidney function
Class 1 innovative drug	:	A designation in the PRC given to new drugs with novel chemical structures, significant clinical benefits, and independent intellectual property rights
Clinical development	:	The process of researching and testing a new drug to evaluate its safety and efficacy
CMC	:	Chemistry, manufacturing and controls
Collaborative R&D	:	Research and development efforts undertaken in collaboration with external partners
Colonoscopy	:	A medical procedure used to visually examine the colon for signs of disease (such as colorectal lesions)
Colorectal lesions	:	Abnormal tissue found in the colon, which can be polypoid (raised) or non-polypoid (flat or depressed), potentially indicating cancer or precancerous conditions
Combizym	:	Oryz-aspergillus Enzyme and Pancreatin Tablets
Commercialisation	:	The process of bringing a pharmaceutical product to the market
Compliance first	:	The prioritisation of adherence to legal and regulatory standards in all business operations, particularly in healthcare and pharmaceuticals
Cross-sell	:	The practice of selling additional and complementary products to existing customers, leveraging relationships and market presence to increase sales of new products
Curative effect	:	The therapeutic outcome of a treatment, particularly its ability to improve or resolve the condition being treated

DAS28-ESR score	:	The Disease Activity Score in 28 joints using the Erythrocyte Sedimentation Rate, which is a measure of Rheumatoid arthritis disease activity
Deanxit	:	Flupentixol and Melitracen Tablets
Dermatology	:	The branch of medicine concerned with the diagnosis and treatment of skin disorders
Detection rate	:	The proportion of patients in whom a specific condition is successfully identified during a clinical trial or medical screening
Digestive enzyme preparation	:	A medication that replaces digestive enzymes to aid digestion
Disease knowledge popularization programs	:	Educational campaigns aimed at raising public awareness about specific diseases, helping patients better understand and manage their conditions
Disinfectants	:	Chemicals produced for the purpose of destroying harmful microorganisms on surfaces
Double-blind trial	:	A type of clinical trial in which neither the participants nor the researchers know which group is receiving the active treatment and which group is receiving the placebo, reducing bias
Dravet Syndrome	:	A rare genetic epilepsy syndrome that begins in infancy and is characterised by frequent and prolonged seizures
Dual-channel pharmacies	:	Pharmacies that serve both hospital and retail markets
Economies of scale	:	Cost advantages that a business obtains due to the scale of its operations, with cost per unit of output generally decreasing as production increases
Enhancer dye	:	A substance used during diagnostic procedures (such as colonoscopy) to improve contrast between lesions and healthy tissue, aiding in better detection
Epilepsy	:	A neurological disorder characterised by recurrent seizures
Erythropoietin	:	A hormone that regulates red blood cell production
Evidence-based medicine	:	A medical approach that integrates clinical expertise with the best available research evidence to guide patient care decisions
First-in-class	:	A drug that uses a novel and unique mechanism of action that has not been used in any previous drug treatment

First-line therapy	:	The initial treatment recommended for a disease or condition, which is considered to be the most effective with the least risk of side effects.
Focused ultrasound	:	A non-invasive technology that uses ultrasound waves to target and treat specific areas of the body
Freeze-dried powder injection	:	A method of preparing injectable medications by freeze-drying the active ingredients into powder form, which can be reconstituted with a liquid before use
Freeze-drying	:	A dehydration process used in pharmaceutical manufacturing to preserve the stability and efficacy of drugs, particularly for injectables
Functional outcome	:	A measure of a patient's ability to perform activities of daily living (such as movement, speech, and self-care) after treatment for conditions like stroke
Gastroenterology	:	The branch of medicine that concerned with the diagnosis and treatment of disorders of the gastrointestinal tract and related organs
Gastrointestinal safety	:	The likelihood of a treatment to cause or avoid side effects related to the digestive system (such as nausea or indigestion).
Gastrointestinal side effects	:	Adverse effects related to the digestive system (such as nausea or diarrhoea), often associated with oral medications
Glaucoma	:	A group of eye conditions that damage the optic nerve, often caused by abnormally high pressure in the eye, leading to vision loss or blindness if untreated
Good Clinical Practices	:	Guidelines that ensure clinical trials involving human participants are conducted in accordance with ethical and scientific standards, safeguarding participants' rights, safety and well-being while ensuring the accuracy and reliability of trial data, as developed by various international organisations and regulatory authorities from time to time, and enforced by the NMPA within the PRC
Good Documentation Practices	:	Guidelines for creating and maintaining accurate records and documents throughout the pharmaceutical manufacturing and supply chain process, as developed by various international organisations and regulatory authorities from time to time, and enforced by the NMPA within the PRC
Good Manufacturing Practices	:	Guidelines that ensure products are consistently produced and controlled according to quality standards, as developed by various international organisations and

		regulatory authorities from time to time, and enforced by the NMPA within the PRC
Good Storage Practices	:	Guidelines that ensure the proper storage of pharmaceuticals to maintain their quality and efficacy throughout the supply chain, as developed by various international organisations and regulatory authorities from time to time, and enforced by the NMPA within the PRC
Good Supply Practices	:	Guidelines that ensure the quality, safety, and integrity of pharmaceutical products throughout the supply chain, as developed by various international organisations and regulatory authorities from time to time, and enforced by the NMPA within the PRC
Greenhouse Gas emissions	:	The release of gases (such as carbon dioxide and methane) that contribute to global warming and climate change
Haemoglobin	:	A protein in red blood cells responsible for transporting oxygen throughout the body
Hemodialysis	:	A treatment that filters waste and water from the blood, mimicking the function of healthy kidneys in patients with chronic kidney disease
Hidradenitis suppurativa	:	A chronic inflammatory skin disease that causes painful nodules, abscesses and scarring, often in areas with sweat glands (such as the underarms and groin)
Hirudoid	:	Mucopolysaccharide Polysulfate Cream
Hypoxia-Inducible Factor-Prolyl Hydroxylase Inhibitor	:	A class of drugs that stabilises hypoxia-inducible factors, which play a role in the body's response to low oxygen levels, particularly useful in stimulating red blood cell production and treating anaemia
ILUMETRI	:	Tildrakizumab Injection
In-house R&D	:	Research and development conducted and managed primarily within our Group
Interleukin-23 (IL-23)	:	A cytokine involved in the inflammatory process, playing a significant role in the pathogenesis of autoimmune diseases
Intermittent stereotypic seizure clusters	:	Repeated seizures that are distinct from a patient's usual seizure pattern
Intravail® absorption enhancer	:	A proprietary technology that enhances the absorption of drugs through mucosal surfaces (such as the nasal mucosa), enabling non-invasive delivery

Intravitreal injection	:	A medical procedure where drugs are injected directly into the eye's vitreous cavity
Iron parameters	:	Laboratory measures related to iron levels in the body, which are important for ensuring that iron-based medications do not cause iron overload
Iron-based, non-calcium phosphate binder	:	A phosphate binder that uses iron rather than calcium to reduce phosphorus absorption, thus avoiding the risk of calcium accumulation
ISO series certifications	:	International standards for quality, health and safety, and environmental management systems, which ensure consistent production practices and regulatory compliance
Janus kinase inhibitor	:	A type of medication that blocks the activity of Janus kinases, which are enzymes that play a role in immune system signalling and inflammation.
Large-scale clinical application	:	The broad use of a drug or treatment in clinical settings after successful trials and marketing approvals
Lifecycle management	:	The comprehensive management of a product from its development, through market introduction, to its eventual discontinuation, focusing on maximising its value
Liposoluble vitamin D	:	A form of vitamin D that dissolves in fats and oils, which is important for bone health
LUMEBLUE	:	Methylthioninium Chloride Enteric-coated Sustained-release Tablets
Maintenance period	:	The stage of treatment during which the patient receives a drug at a lower frequency to maintain its therapeutic effects
Melanocytes	:	Pigment-producing cells
Methotrexate	:	A chemotherapy and immunosuppressive agent with anti-inflammatory, anti-proliferative and immunomodulatory effects
METOJECT	:	Methotrexate Injection
Mild-to-moderate depression and anxiety	:	Conditions characterised by feelings of sadness, worry or nervousness that are treated with medications aimed at regulating mood
Multi-centre clinical trial	:	A clinical trial conducted across multiple research sites, often in different countries, to ensure diverse patient populations and increase the reliability of the study results

Multi-matrix technology	:	A drug delivery system that enables targeted and controlled release of active substances directly to specific areas (such as the colon)
National VBP	:	A policy in the PRC aimed at achieving lower drug prices through large volumes of procurement
Neovascular age-related macular degeneration	:	A form of macular degeneration characterised by the growth of abnormal blood vessels in the retina, leading to severe vision loss
Nephrology	:	The branch of medicine concerned with the physiology and diseases of the kidney
Neurological symptoms	:	Clinical manifestations of damage or dysfunction in the nervous system (such as weakness, speech difficulties and paralysis), which are commonly seen in stroke patients
Neuronal nitric oxide synthase	:	An enzyme responsible for producing nitric oxide in the brain, which plays a role in neural communication and neurotoxicity during ischemic events
New Drug Application	:	A formal proposal submitted to a regulatory body requesting approval for marketing a new pharmaceutical
Non-dialysis patients	:	Patients with chronic kidney disease who are not undergoing dialysis, which is a treatment that filters waste from the blood when the kidneys can no longer perform this function adequately
Non-immunocompromised patients	:	Patients whose immune systems are functioning normally
Non-inferiority trial	:	A clinical trial conducted to demonstrate that a new treatment is not significantly worse than an existing treatment, in terms of efficacy or safety
Non-invasive	:	A procedure or treatment that does not require surgery or breaking the skin
Non-polypoid colorectal lesions	:	Flat or slightly depressed lesions in the colon that can be more difficult to detect than polypoid lesions, and may carry a higher risk of cancer
Non-segmental vitiligo	:	The most common form of vitiligo, where depigmentation occurs symmetrically across both sides of the body
Non-segmental vitiligo with facial involvement	:	A form of vitiligo that specifically affects the face and is characterised by symmetrical loss of skin colour
Ophthalmic prescription drugs	:	Medications specifically formulated for treating eye conditions

Ophthalmology	:	the branch of medicine concerned with the diagnosis and treatment of disorders of the eye
Osteoporosis	:	A condition that weakens bones, making them fragile and more likely to break
P-value	:	A statistical measure that indicates whether the results of a clinical trial are significant – a P-value of less than 0.05 generally suggests that the findings are unlikely to be due to chance
p19 subunit	:	A part of the interleukin-23 (IL-23) protein to inhibit its activity and reduce inflammation
Paediatrics	:	The branch of medicine focused on the health and medical care of infants, children and adolescents
PASI 75 response rate	:	A measure used in clinical trials to assess the improvement in psoriasis – a 75% reduction in the Psoriasis Area and Severity Index (PASI) score indicates significant improvement
Patient aid programs	:	Initiatives designed to provide financial assistance or other support to patients, improving their access to treatment
Patient compliance	:	The extent to which a patient correctly follows medical advice and adheres to prescribed treatments
Peritoneal dialysis	:	A type of dialysis that uses the lining of the abdomen and a special solution to remove waste and excess fluid from the blood
Pharmacokinetics	:	The study of how a drug is absorbed, distributed, metabolised and excreted in the body
Pharmacovigilance	:	The process of monitoring the safety of pharmaceutical products and detecting, assessing and preventing adverse effects or any other drug-related problems
Phase I clinical trial	:	An early-stage clinical trial that tests a new drug or treatment in a small sample of patients to assess its safety, determine a safe dosage range, and identify side effects
Phase II clinical trial	:	A clinical trial designed to assess the effectiveness and side effects of a drug in a medium-sized group of patients, typically after safety has been established in a Phase I clinical trial
Phase III clinical trial	:	A late-stage clinical trial designed to assess the effectiveness and safety of a new drug or treatment in a large group of patients before it can be approved for marketing

Phlebitis	:	Inflammation of the veins, often causing pain and swelling
Phosphate binder	:	A type of medication that reduces the absorption of phosphorus from food, used to manage serum phosphorus levels in patients with chronic kidney disease
Phosphate binder pill burden	:	The number of pills a patient needs to take daily to manage his phosphorus levels
Phosphorus-lowering treatment	:	A treatment aimed at reducing high levels of phosphorus in the blood, particularly in patients with chronic kidney disease, to prevent bone and cardiovascular problems
Phototherapy	:	A medical treatment that uses controlled exposure to ultraviolet light to treat conditions
Placebo	:	An inactive substance or treatment used as a control in clinical trials to compare the effects of experimental drugs
Placebo-controlled trial	:	A clinical trial in which the effects of a treatment are compared with a placebo, helping to measure the true efficacy of the treatment
Plaque psoriasis	:	The most common form of psoriasis, characterised by raised, inflamed and red skin covered with silvery and white scales
Platform-based development	:	A strategic approach creating integrated systems to streamline and optimise the development and commercialisation of multiple innovative medicines
Plendil	:	Felodipine Sustained Release Tablets
Povorcitinib	:	A selective small-molecule Janus kinase 1 inhibitor being developed as an oral treatment for autoimmune and inflammatory dermatologic diseases
Pre-clinical candidate compounds	:	Chemical compounds that are selected for further development before clinical trials
Pre-filled injection	:	A medical device that comes with a set dosage of medication already loaded in the syringe, providing a convenient and ready-to-use solution
Pre-hospital seizure rescue	:	A treatment approach for managing seizures before the patient reaches a hospital, aimed at providing rapid and convenient care
Pre-set main endpoint	:	The primary goal or outcome that a clinical trial is designed to measure

Primary study endpoint	:	The main outcome that is measured in a clinical trial to determine the effectiveness of a treatment
Pro-inflammatory cytokines	:	Small proteins released by cells, particularly in response to infection or injury, that promote inflammation
Probiotics	:	Live microorganisms used to restore intestinal flora and treat diarrhoea in adults and children
Product lifecycle management	:	The process of managing a product's entire lifecycle, from inception, through design and manufacturing, to service and disposal
Project selection	:	The stage in drug development where promising drug candidates are chosen for further research and development based on their clinical potential
Prokinetic agent	:	A medication that enhances gastrointestinal motility
Prurigo nodularis	:	A chronic skin condition characterised by intensely itchy nodules, which is often linked to autoimmune or inflammatory processes
PSD-95 and nNOS coupling	:	A molecular interaction between the postsynaptic density protein-95 and neuronal nitric oxide synthase, which is involved in the regulation of neuronal signalling and brain function
Psoriasis	:	A chronic autoimmune disease that causes rapid skin cell growth, leading to thick, scaly patches of skin, and often referred to as plaques
Randomised controlled trials	:	Clinical trials in which participants are randomly assigned to different treatment groups to compare the effects of interventions
Real-world research	:	Studies conducted outside of the controlled environment of clinical trials to assess how a drug performs in everyday medical practice
Recalcitrant psoriasis	:	A form of psoriasis that is particularly difficult to treat and does not respond well to standard therapies
Recombinant Human Brain Natriuretic Peptide	:	A synthetic version of a hormone that helps regulate blood pressure and fluid balance, used for treating acute decompensated heart failure
Registration	:	The process of obtaining approval from regulatory authorities to market a drug
Registrational clinical trials	:	Trials aimed at collecting data to support regulatory approval for a drug, often required for a New Drug Application

Repigmentation	:	The process of restoring skin colour in areas affected by pigment-related conditions
Retinoids	:	A class of drugs derived from vitamin A, used to treat various skin conditions
Rheumatoid arthritis	:	A chronic inflammatory disorder affecting the joints, causing pain, swelling and possible damage
Rolling product supply plan	:	A dynamic planning process that adjusts supply plans regularly based on updated sales forecasts and other influencing factors
Safe stock policy	:	A policy designed to maintain a minimum stock level to prevent inventory shortages while avoiding overstocking, ensuring continuous product availability
Salofalk	:	Mesalazine
Sclerotherapy	:	A medical procedure used to treat varicose veins by injecting a solution that causes the veins to collapse
Scope 1+2 GHG emissions	:	Scope 1 refers to direct emissions from owned or controlled sources, while Scope 2 refers to indirect emissions from the generation of purchased electricity, heating and cooling
Secondary efficacy indicators	:	Additional measurements used in a clinical trial to assess the effectiveness of a treatment beyond the primary endpoint
Seizure clusters	:	A series of seizures occurring in a short period that are distinct from the usual seizure pattern in epilepsy patients
Selective JAK1/JAK2 inhibitor	:	A drug that specifically targets and blocks the JAK1 and JAK2 enzymes, reducing inflammatory response
Senile macular degeneration	:	A degenerative condition affecting the central part of the retina
Serum phosphorus levels	:	The amount of phosphorus in the blood, which needs to be controlled in patients with chronic kidney disease to prevent complications
Small molecule compound	:	A low molecular weight organic compound that can easily enter cells and interact with intracellular targets (such as proteins or enzymes)
sP compliance rate	:	The percentage of patients whose serum phosphorus levels are maintained within the target range recommended by clinical guidelines
Subcutaneous administration	:	A method of drug delivery where the medication is injected into the layer of skin directly below the dermis

		and epidermis, improving bioavailability and reducing side effects
Systemic therapy	:	Treatment that uses substances (such as medications) that travel through the bloodstream to affect cells throughout the body, and are often used for more severe diseases
Target selection	:	The process of identifying targets for drug development
Topical treatment	:	Medication applied to a specific area of the skin to treat localised conditions
Toripalimab	:	An intravenous anti-PD-1 monoclonal antibody used for cancer immunotherapy
Transmucosal absorption	:	The absorption of drugs across a mucosal surface (such as the nasal mucosa) to achieve systemic effects
Ursofalk	:	Ursodeoxycholic Acid Capsules
Utility model patent	:	A type of IP right granted for inventions that provide practical utility, often with a shorter protection term compared to standard patents
VALTOCO	:	Diazepam Nasal Spray
Varicose veins	:	Enlarged and twisted veins that can cause discomfort
VELPHORO	:	Sucroferric Oxyhydroxide Chewable Tablets
Vitiligo	:	A skin condition characterised by loss of pigmentation in patches, which is caused by the destruction or malfunction of melanocytes
Vitamin E-based solvents	:	Components that aid in dissolving and delivering the drug effectively through the nasal mucosa
Vmonalisa	:	Modified Sodium Hyaluronate Filler for Injection
XinHuoSu	:	Recombinant Human Brain Natriuretic Peptide for Injection

SUMMARY

This summary highlights information contained in other parts of this Introductory Document. As this is only a summary, it does not contain all of the information that you should consider before investing in our Shares, and it is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial statements appearing elsewhere in this Introductory Document. Unless the context requires otherwise, references in this Introductory Document to "our Group", "we", "us" and "our" refer to China Medical System Holdings Limited and our subsidiaries taken as a whole. You should read this entire Introductory Document, including, among others, our consolidated financial statements together with the related notes and the section entitled "Risk Factors" of this Introductory Document*, before making a decision to invest in our Shares.*

OUR GROUP

Our Group is a platform company linking pharmaceutical innovation and commercialisation with strong product lifecycle management capability, dedicated to providing competitive products and services to meet unmet healthcare needs.

Deeply rooted in the China's pharmaceutical market for about thirty years, our Group has possessed clinical demand-oriented product identification and project management capabilities, proven clinical development and commercialisation capabilities, and substantial cash flow. We have continuously improved our operation system and professional teams covering the innovative product lifecycle management of target selection, pre-clinical candidate compounds selection, pre-clinical research and clinical development. Leveraging core advantages and driven by an innovation strategy of "Collaborative R&D and In-house R&D", we continuously develop global First-in-class and Best-in-class innovative products, and efficiently promote their clinical development and commercialisation processes, empowering the continuous transformation of scientific research outcomes into clinical practices and benefiting patients. As of 31 December 2024, our Group had deployed approximately forty (40) innovative products with differentiated competitive advantages and at various developmental stages, among which, five (5) innovative drugs (covering six (6) indications) have been successfully approved for marketing in China and are currently entering clinical application.

We are focused on specialty therapeutic fields, such as cardio-cerebrovascular, central nervous system, gastroenterology, dermatology, and ophthalmology. Based on the professional academic foundation and medical evidence of our products, we have built brand strength of our products through our mature commercialisation system, extensive channel coverage and specialty therapeutic fields focused promotional teams, and have gained successful academic profile and advantageous market positions for our major marketed products. Rooted in the specialty areas while expanding our business boundaries, our Group continues to strengthen our competitiveness in the cardio-cerebrovascular/gastroenterology business, and simultaneously promotes the scale efficiency of skin health business (in connection with, and as part of its transition towards the Proposed Spin-off (please refer to the section entitled "*BUSINESS – OUR SPECIALITY THERAPEUTIC FIELDS FOCUSED COMMERCIALISATION PLATFORM – Our Skin Health Business – The Proposed Spin-off Listing of Our Skin Health Business"* of this Introductory Document for more details)) and ophthalmology business, aiming to gain leading positions in specialty therapeutic markets. Additionally, our Group's Southeast Asia business continues to improve its business structure that comprehensively covers "R&D, manufacturing, and commercialisation", fully empowering the internationalisation of quality Chinese and global pharmaceutical products to Southeast Asia.

As we have gradually mitigated the impact of the inclusion of certain of our products under the policy of National VBP, our Group has entered the "New Product Era", with large-scale commercialisation of our innovative products and continuous growth of our non-National VBP exclusive products. In 2024, in the case that all medicines were directly sold by our Group, the combined sales revenue of non-National VBP exclusive products and innovative products accounted for approximately 52.8% of our Group's revenue, in terms of RMB4.6 billion. With a healthier product portfolio, our Group is embracing a sustainable quality development cycle. Please refer to the risk factor entitled "*We may be adversely affected by the complexity and changes in the laws and regulations on pharmaceutical business in the jurisdictions where we operate in.*" for further details on the National VBP Policy and its impact on products included in the National VBP.

We have been included into the Hang Seng Large-Mid Cap (Investable) Index and Hang Seng Innovative Drug Index since 2020 and 2023 respectively.

COMPETITIVE STRENGTHS

We believe that the following competitive strengths position us well for our historical success and continued growth:

- we execute successful implementation of medical and clinical demand-oriented product selection strategy, generating a product portfolio with differentiated competitive advantages;
- we provide an efficient innovative product incubation platform, facilitating the yearly launches of innovative products;
- we have proven and successful commercialisation capability, efficiently releasing the commercial and clinical value of innovative products;
- we have an experienced, dedicated and stable management team with outstanding track record and a strong sense of mission; and
- we have an efficient and refined management system with strict compliance.

Please see the section entitled "*Business – Competitive Strengths*" of this Introductory Document for further details.

BUSINESS STRATEGIES AND FUTURE PLANS

Our Group has followed the development pattern of the industry and has promoted three significant strategic transformations with a forward-looking vision: from an agent of imported original drugs, to the rights control of mature original and/or exclusive products, and to the comprehensive innovation transformation. Each step of the transformation is in sync with the industry's development trends, and with constant challenges and transcendence. We aim to become a trustworthy specialty pharma rooted in Asia. We plan to implement the following strategies to achieve our goal:

- continuously generating innovative products;
- continuous and successful commercialisation of innovative products;
- Southeast Asia business development; and
- organisation capacity enhancement.

Please see the section entitled "*Business – Business Strategies and Future Plans*" of this Introductory Document for further details.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following selected consolidated financial information of our Group should be read in conjunction with the full text of this Introductory Document, including the "Independent Auditor's Report and the Audited Consolidated Financial Statements as at and for each of the years ended 31 December 2022, 2023 and 2024" as set out in Appendix A to this Introductory Document, and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Introductory Document. Our consolidated financial statements are reported in RMB and are prepared and presented in accordance with IFRS.

CONSOLIDATED STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

		Audited	
(RMB'000)	**FY2022**	**FY2023**	**FY2024**
Revenue	9,150,347	8,013,285	7,468,990
Cost of goods sold	(2,114,500)	(1,904,119)	(2,046,796)
Gross profit	7,035,847	6,109,166	5,422,194
Other income	198,578	232,091	208,387
Other gains and losses	(4,195)	(335,997)	(151,244)
Selling expenses	(2,721,312)	(2,511,341)	(2,661,648)
Administrative expenses	(636,612)	(656,628)	(780,093)
Finance costs	(49,086)	(46,251)	(38,610)
Research and development expenses	(125,431)	(195,134)	(329,982)
Share of results of associates	65,061	274,977	338,548
Share of result of a joint venture	-	2,888	2,755
Profit before tax	3,762,850	2,873,771	2,010,307
Income tax expense	(486,655)	(489,341)	(397,227)
Profit for the year/period	**3,276,195**	**2,384,430**	**1,613,080**
Profit (loss) for the year/period attributable to:			
Owners of the Company	3,258,992	2,400,940	1,619,788
Non-controlling interests	17,203	(16,510)	(6,708)
	3,276,195	2,384,430	1,613,080
Earnings per share			
Basic (RMB)	1.3281	0.9792	0.6673

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		Audited	
(RMB'000)	**As at 31 December 2022**	**As at 31 December 2023**	**As at 31 December 2024**
ASSETS			
Non-current assets			
Property, plant and equipment	425,480	397,616	375,893
Right-of-use assets	69,979	76,124	72,197
Interests in associates	3,044,818	3,271,934	3,389,827
Interest in a joint venture	-	179,049	181,804
Intangible assets	2,066,423	2,216,092	2,301,346
Goodwill	1,665,993	1,547,903	1,547,903
Equity instruments at fair value through other comprehensive income	297,048	163,893	129,783
Deposits paid for acquisition of intangible assets[(1)]	1,285,415	1,013,395	1,189,256
Amounts due from associates	30,000	30,000	30,000
Loan receivable[(2)]	-	-	72,227

(RMB'000)	Audited As at 31 December 2022	 As at 31 December 2023	 As at 31 December 2024
Deposit paid for acquisition of a subsidiary	-	-	-
Deferred tax assets	39,007	40,396	52,693
	8,924,163	8,936,402	9,342,929
Current assets			
Inventories	477,206	637,636	768,139
Financial assets at fair value through profit or loss	1,491,336	1,832,258	2,160,097
Trade and other receivables and prepayments	2,043,944	1,568,587	1,780,483
Loan receivable	70,168	35,945	-
Tax recoverable	253	784	5,553
Derivative financial instruments	42,021	-	-
Amounts due from associates	328,072	408,167	284,088
Bank balances and cash	4,376,376	4,311,058	3,706,501
	8,829,376	8,794,435	8,704,861
Total assets	17,753,539	17,730,837	18,047,790
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables	563,194	436,976	484,797
Lease liabilities	15,804	15,416	16,933
Contract liabilities	21,614	12,733	16,610
Bank borrowings	1,783,337	1,269,650	831,300
Derivative financial instrument	562	17,227	-
Deferred consideration payables	1,000	1,000	-
Tax liabilities	327,819	295,784	166,423
Obligation arising from put options	163,773	-	-
	2,877,103	2,048,786	1,516,063
Net current assets	5,952,273	6,745,649	7,188,798
Total assets less current liabilities	14,876,436	15,682,051	16,531,727
Capital and reserves			
Share capital	83,991	83,991	83,564
Reserves	14,505,076	15,436,217	16,227,905
Equity attributable to owners of the Company	14,589,067	15,520,208	16,311,469
Non-controlling interests	148,010	36,199	91,639
	14,737,077	15,556,407	16,403,108
Non-current liabilities			
Deferred tax liabilities	124,959	108,973	116,109
Lease liabilities	13,491	16,671	12,510
Deferred consideration payables	909	-	-
	139,359	125,644	128,619
	14,876,436	15,682,051	16,531,727

Note:

(1) The changes in deposits paid for the acquisition of intangible assets during the Period under Review were due to the different levels of our investments in the acquisitions of exclusive distributorships or product rights of innovative products across each period. The level of acquisitions in each year or period depends on the identification of product rights and investments suitable for our Group's business and strategic development.

(2) The loan receivables (non-current assets) recorded as at 31 December 2024 was due to a loan advanced by our Group to a supplier for the purpose of increasing its production capacity.

DIVIDEND POLICY

Under our Company's Dividend Policy, our Company does not have any pre-determined dividend payout ratio. Although our Company intends to declare and pay dividends in the future, the declaration, payment and amount of any dividends are subject to our Board's discretion having regard to the following factors: (a) our Group's actual and expected financial performance; (b) our Group's expected working capital requirements and future development plans; (c) our Group's liquidity position; (d) the economic outlook; (e) contractual restrictions or obligations; (f) shareholders' interests; and (g) any other factors our Directors may consider relevant. Such payment of the dividend by our Company is also subject to any restrictions under any applicable laws, rules and regulations and our Company's Memorandum and Articles of Association. Our Company endeavours to strike a balance between the shareholders' interest and prudent capital management with a sustainable dividend policy. Our Directors will continually review our Company's dividend policy and our Company reserves the right in its sole and absolute discretion to update, amend and/or modify our Company's dividend policy at any time as our Board deems fit and necessary. There is no assurance that our Company will pay dividends in any particular amount for any given period.

See the section entitled "*Dividend Policy*" of this Introductory Document for further information.

CORPORATE INFORMATION

Our registered office is located at the offices of Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands and the address of our head office and principal place of business in Hong Kong is Unit 2106, 21/F, Island Place Tower, 510 King's Road, North Point, Hong Kong. Our telephone number is (852) 2369-7678, our facsimile number is (852) 2389-1320, and our corporate e-mail address is ir@cms.net.cn.

Investor enquiries should be directed to us at the address and telephone number of our head office and principal place of business in Hong Kong set forth above. Our website address is www.cms.net.cn. The information contained in our website and any website directly or indirectly linked to such website or the websites of any of our related corporations or other entities in which we may have an interest do not constitute part of and are not incorporated by reference in this Introductory Document and should not be relied on as such.

SUMMARY OF THE INTRODUCTION

Our Company	China Medical System Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability on 18 December 2006. Our Shares have been primary listed on the HKSE under the stock code "867" since 28 September 2010.
Listing on the SGX-ST	An application has been made to the SGX-ST for permission to list all our Shares on the Main Board of the SGX-ST. Such permission will be granted when we have been admitted to the Official List of the SGX-ST.
Trading on the SGX-ST	Our Shares will, upon their listing and quotation on the SGX-ST, be traded on the SGX-ST under the book-entry (scripless) settlement system of CDP. Dealing in and quotation of our Shares will be in Singapore dollars. Our Shares will be traded in board lot size of 100 Shares.
Voting Rights	Shareholders may vote on all matters submitted to a vote of Shareholders, except as may otherwise be required by law. See the section entitled "*Description of Share Capital*" of this Introductory Document. However, the ability of CDP Depositors to vote at Shareholders' meetings will be limited. See the sections entitled "*Description of Share Capital – Summary of Selected Provisions of our Articles of Association – Voting Rights*" and "*Clearance and Settlement – Voting Instructions*" of this Introductory Document.
Dividends	Under our Company's Dividend Policy, our Company does not have any pre-determined dividend payout ratio. Although our Company intends to declare and pay dividends in the future, the declaration, payment and amount of any dividends are subject to our Directors' discretion having regard to the various factors. See the section entitled "*Dividend Policy*" of this Introductory Document for a description of our dividend policy. Shareholders whose Shares are held through CDP will receive their dividends through CDP in Singapore dollars. We will make the necessary arrangements to convert the dividends in RMB into the Singapore dollar equivalent at the prevailing exchange rate obtained by us on the relevant date for onward distribution to CDP and CDP's onward distribution to entitled Shareholders.
Share Capital	As at the Latest Practicable Date, our authorised share capital is US$100,000,000 divided into 20,000,000,000 Shares of par value of US$0.005 each and our issued and paid-up capital is US$12,197,642.56 comprising 2,439,528,512 shares. All our 2,439,528,512 issued Shares are currently listed on the HKSE**.** We have only one (1) class of shares in the capital of our Company, being the Shares.
Market Capitalisation	Our Company has a market capitalisation of HK$28,640 million (approximately S$4,671 million) as at the Latest Practicable Date.

Risk Factors	Prospective investors should carefully consider certain risks connected with an investment in our Shares, as discussed in the section entitled "*Risk Factors*" of this Introductory Document.

OUR LISTING ON THE SGX-ST

Upon admission to the Official List of the SGX-ST, we will be listed on both the SGX-ST and the HKSE, with the HKSE being the primary exchange on which our Shares are traded and the SGX-ST being the secondary exchange. As the HKSE is the primary exchange on which our Shares are traded, we are subject to and are required to comply with the relevant regulations and notifications issued by the HKSE.

An eligibility-to-list letter has been obtained from the SGX-ST for the listing and quotation of all of the Shares on the SGX-ST, subject to the following conditions:

(a) compliance with the SGX-ST's listing requirements;

(b) our Company maintaining our primary listing on the HKSE;

(c) pre-quotation disclosure of information required by the SGX-ST (which was conveyed to our Company prior to issuance of this Introductory Document);

(d) our Company's written confirmation that our Company's Memorandum and Articles of Association (incorporating all amendments to date) have been filed with the HKSE;

(e) our Company's written undertaking that our Company will comply with the following requirements as set out in Rule 217 of the Listing Manual to:

  (i) release all information and documents in English to the SGX-ST at the same time as they are released to the HKSE;

  (ii) inform the SGX-ST of any issue of additional securities in a class already listed on the SGX-ST and the decision of the HKSE; and

  (iii) comply with such other listing rules as may be applied by the SGX-ST from time to time (whether before or after the Introduction);

(f) our Company's written undertaking that in the event of a need for a trading halt or suspension in our Shares, our Company would request for a trading halt or suspension on all exchanges at the same time;

(g) our Company's written undertaking that our Company will ensure the appointment of a market marker for a minimum of six (6) months from the date of the Introduction;

(h) the Issue Manager's written confirmation that adequate disclosures have been made on the major differences between the laws of Cayman Islands and Singapore on investor protection;

(i) written confirmations from the Issue Manager and our Company that arrangements satisfactory to the SGX-ST are in place to ensure:

  (i) orderly trading in the market when trading begins in our Shares in Singapore; and

  (ii) timely settlement of trades, including but not limited to, procedures for the deposit, withdrawal and registration of our Shares in Singapore;

(j) the Issue Manager's written confirmation that Rules 246(4) and 246(12) of the Listing Manual have been complied with;

(k) submission of the documents stipulated in Rules 248, 249 and 250 of the Listing Manual; and

(l) the release of an SGXNET announcement disclosing the latest price of our Shares (including the equivalent in Singapore dollars) on the HKSE prior to the Introduction.

We have obtained from the SGX-ST a waiver from compliance with the following rules under the Listing Manual:

(a) Rule 210(5)(a) of the Listing Manual which requires, among others, that a director who has no prior experience as a director of an issuer listed on the SGX-ST must undergo training in the roles and responsibilities of a director of a listed issuer as prescribed by the SGX-ST. The waiver was sought on the basis that (i) our Company has a primary listing on the HKSE and each of our Directors has the necessary experience and expertise to act as a director of a company listed on the HKSE; (ii) in accordance with Rule 246(4)(e) of the Listing Manual, our Directors have been briefed by our Company's Legal Adviser as to Singapore Law on the roles and responsibilities of a director of a public listed company in Singapore pursuant to the Listing Manual and the relevant Singapore laws and regulations; and (iii) pursuant to Rule 217 of the Listing Manual, a foreign issuer with a secondary listing on the SGX-ST is not required to comply with the Listing Manual (except for such rules as may be applied by the SGX ST from time to time), and accordingly our Company would not have an obligation to comply with Rule 720 (read with Rule 210(5)) of the Listing Manual on an ongoing basis.

(b) Rules 211A(3) of the Listing Manual which requires that the annual financial statements must be audited by certified public accountants in accordance with SSA, ISA, or US GAAS, as the case may be, subject to disclosure in this Introductory Document of the bases for the waiver sought, the Independent Auditor's confirmation that there is no material difference between HKSA and ISA and that the financial statements of our Company following the Introduction will continue to be prepared in accordance with IFRS and audited in accordance with HKSA, which are in compliance with such requirements in relation to accounting and auditing standards as may be applicable to our Company under the applicable rules and requirements in Hong Kong.

Our Company had sought a waiver from Rules 211A(3) of the Listing Manual for the following reasons:

(i) our Company prepares our financial statements in accordance with IFRS which are audited by our auditors in accordance with HKSA; and

(ii) the Independent Auditor is of the opinion that there are no material differences between HKSA and ISA.

See the section entitled "*Presentation of Financial and Statistical Information*" of this Introductory Document for further details.

(c) Rule 221 of the Listing Manual which requires a foreign issuer seeking admission to the Official List of the SGX-ST to have at least two (2) independent directors resident in Singapore (the "**Singapore Resident ID**"). The wavier was sought on the basis that our Company's board composition is required to comply with the requirements under the applicable Hong Kong Listing Rules and as a foreign issuer on the HKSE, our Company is allowed to follow our home country practice in lieu of certain of these requirements. Our Board of Directors currently comprises six (6) directors, three (3) of whom are considered independent under the applicable Hong Kong Listing Rules. In addition, given our Company's profile and industry, our Company also believes that it is necessary to have sufficient time to identify a suitable candidate who is not only resident in Singapore but also able to augment the expertise of our Board of Directors. Our Company has also provided (i) a written confirmation that a compliance advisory firm which is experienced in advising on compliance with the Listing Manual has been appointed until the appointment of the Singapore Resident ID; and (ii) a written undertaking to appoint one (1) Singapore Resident ID (who complies with the requirements under Rule 210(5)(d) of the Listing

Manual) within one (1) year of the Introduction and ensure that the appointment of the compliance advisory firm or Singapore Resident ID is maintained at all times on a continuing basis for so long as our Company is secondary listed on SGX-ST. We have appointed In.Corp Corporate Services Pte. Ltd. as the compliance advisory firm and will seek the prior approval of the SGX-ST before a change of such appointment.

OBLIGATIONS UNDER THE LISTING MANUAL

As a foreign issuer with a secondary listing on the SGX-ST, pursuant to Rule 217 of the Listing Manual, upon the listing of our Shares on the SGX-ST, we will not be required to comply with the Listing Rules (except for such rules as may be applied by the SGX-ST from time to time), provided that we undertake to:

(a) release all information and documents in English to the SGX-ST at the same time as they are released to the home exchange;

(b) inform the SGX-ST of any issue of additional securities in a class already listed on the SGX-ST and the decision of the home exchange; and

(c) comply with such other Listing Rules as may be applied by the SGX-ST from time to time (whether before or after listing).

INTRODUCTORY DOCUMENT DISCLOSURE

Pursuant to Rule 607 of the Listing Manual, this Introductory Document is required to comply with the disclosure requirements in the SFA. We have obtained the following waivers from the SGX-ST from compliance with certain of the Introductory Document disclosure requirements under the Fifth Schedule to the SFR (the "**Fifth Schedule**"): (i) Paragraph 6 of Part 4 (the "**Capitalisation and Indebtedness Provision**"); (ii) Paragraph 1(d) of Part 5 and Paragraphs 8 and 9 of Part 6 (the "**Latest Practicable Date Information**"); (iii) Paragraph 5(a) of Part 6 (the "**Material Sources of Liquidity**"); (iv) Paragraph 1(b) of Part 7 (the "**Principal Directorships Provision**"); (v) Paragraphs 9(a)(iii), 9(b) and 12 of Part 7 (the "**Remuneration Provisions**"); (vi) Paragraph 3 of Part 7 (the "**Shareholding Provision**"); (vii) Paragraphs 1, 2, 3 and 4 of Part 8 (the "**IPT Provisions**"); (viii) Paragraph 8 of Part 11 (the "**Share Capital Disclosures**"); and (ix) Paragraphs 24(a), 25 to 32 and 34 to 39 of Part 9 (the "**Pro Forma Financial Information Provisions**") for reasons that include the following:

(a) HKSE is our home exchange and we are subject to a set of disclosure requirements under the applicable Hong Kong laws and regulations including the Hong Kong Listing Rules.

(b) Disclosing information in this Introductory Document relating to the requirements under the Fifth Schedule may result in a non-parity of information between investors in Hong Kong and Singapore, which may present an unfair ground and unlevel playing field between the two sets of investors. Such additional disclosures may also result in regulatory enquiries from the SFC, HKSE and/or investors.

(c) In respect of the Capitalisation and Indebtedness Provision, we are unable to provide information on the capitalisation and indebtedness of our Group as of a date no earlier than 60 days prior to the date of issue of this Introductory Document as this information has not yet been prepared or published as of the date of this Introductory Document. Further, except in the case of significant transactions classified as “major transaction”, “very substantial acquisition”, “very substantial disposal”, “reserve takeover” or “extreme transaction” under Chapter 14 of the Hong Kong Listing Rules, our Group is only required to make disclosures in relation to our indebtedness, liquidity, financial resources and capital structure in our annual and interim reports.

(d) In respect of the Latest Practicable Date Information, it would be challenging for us to provide the disclosures required under paragraph 1(d) of Part 5 of the Fifth Schedule and paragraphs 8 and 9 of Part 6 of the Fifth Schedule as of the Latest Practicable Date given the size of our Group's operations which cut across many countries around the world through over 80 subsidiaries. In terms of the cost of compliance, to disclose the amount of trade receivables collected would impose obligations on our Company that are more onerous than the requirements imposed under the Hong Kong Listing Rules. As our Company has more than 80 subsidiaries across more than 10 jurisdictions, our Company would need to expend extensive time and resources to gather the information required to include such disclosures in this Introductory Document. On the other hand, providing historical and committed capital expenditure information as of 31 December 2024 would be in line with our Company's most recent financial reporting of the results of operations for FY2024 and the financial condition as at 31 December 2024. Investors would also be able to understand such information in an appropriate context when our Company makes these public filings together with the other financial results.

(e) In respect of Material Sources of Liquidity, we are unable to provide a description of our material sources of liquidity, whether internal or external, and a brief discussion of any material unused sources of liquidity, as of the Latest Practicable Date. As an issuer listed on the HKSE, our Company is only required to disclose information relating to the material sources of liquidity in its financial announcements which are issued on a half-yearly basis. There is no requirement for our Company to disclose material unused sources of liquidity in its annual or interim reports. Currently, our Company discloses its current assets and liabilities (including its material sources of liquidity) in the half-yearly and full year results announcements in its interim and annual reports.

(f) In respect of the Principal Directorships Provision, our Directors and Executive Officers are not required to disclose directorships in private companies provided that such private companies do not compete directly or indirectly with our Group. Hence, our Directors and Executive Officers have disclosed primarily their present directorships and past directorships in the last five (5) years in publicly listed companies as well as our Principal Subsidiaries in this Introductory Document. Our Directors have disclosed their interest in any business which are in, or are likely to be in, competition with our Group as well.

(g) In respect of the Remuneration Provisions, our Company is only required to disclose the remuneration of the directors and the five (5) highest paid employees (which includes the directors in the pool of employees being assessed) and the remuneration of the senior management members (who are not directors) by bands (without identifying such senior management members individually), in accordance with the Hong Kong Listing Rules. Under the Hong Kong Listing Rules, our Company is also not required to disclose the estimated amount of compensation paid and/or payable to the directors and senior management for FY2024. If our Company is required to comply with the Remuneration Provisions, it would be required to make disclosures which are more onerous than the requirements of its home exchange. Although our Company will not be disclosing the person to whom any compensation pursuant to any bonus or profit-sharing plan or any profit-linked agreement or arrangement paid or is paid, nor the basis of each individual's participation in the plan, our Company has disclosed the employee incentive schemes adopted, and has taken into consideration and included any compensation paid to our Directors and Executive Officers in the disclosures of their emoluments in this Introductory Document.

(h) In respect of the Shareholding Provision, the disclosure requirements relating to share ownership of companies under the applicable Hong Kong rules differ from the requirements under the Shareholding Provision. If we are required to comply with the Shareholding Provision, it could be potentially confusing for our shareholders and potential investors. Differences in the disclosures will also result in non-parity of information between the various groups of investors

in Hong Kong and Singapore, thus potentially presenting an uneven playing field between the different groups of investors. As such, it would be unduly onerous, and extensive time and resources would be unnecessarily expended by us, to include such disclosures in this Introductory Document which will not be relevant to our Company post-listing.

(i) In respect of the IPT Provisions, the existing interested person transactions requirements under the Fifth Schedule are relatively complex. It would be unduly onerous and extensive time and resources would be unnecessarily expended by our management to familiarise themselves with the SFR requirements for the purposes of ensuring such disclosure in this Introductory Document especially if, after the Listing, we will not be subject to the ongoing listing obligations relating to interested person transactions under Chapter 9 of the Listing Manual.

(j) In respect of the Share Capital Disclosures, under the applicable Hong Kong Listing Rules, details of subsidiaries which, in the opinion of our Directors, materially contribute to the net income of our Group or hold a material portion of the assets or liabilities of our Group shall be included in the annual reports of our Company. Our Directors have determined which of these subsidiaries fall within the aforesaid materiality category on the basis of these entities whose absolute amount of the net assets, net liabilities or profit or loss before tax accounts for 10% or more of the absolute amount of the net assets, net liabilities or profit or loss before tax, respectively, of our Group for any of the three (3) most recently completed financial years. Given that our Group has more than 80 subsidiaries across more than 10 jurisdictions, it will be unduly burdensome on our Company to comply with the Share Capital Disclosures.

(k) In respect of the Pro Forma Financial Information Provisions, and in connection with the Proposed Spin-off (please refer to the section entitled "*BUSINESS – OUR SPECIALITY THERAPEUTIC FIELDS FOCUSED COMMERCIALISATION PLATFORM – Our Skin Health Business – The Proposed Spin-off Listing of Our Skin Health Business"* of this Introductory Document for more details), the disclosure requirements relating to pro forma financial statements under the applicable Hong Kong Listing Rules differ from the requirements under the Pro Forma Financial Information Provisions. In particular, as the Proposed Spin-off is to be implemented through a distribution in specie by our Company of all the shares in Dermavon (defined below) that we hold to our Shareholders in proportion to their respective shareholding in our Company, the Proposed Spin-off does not amount to a "disposal" or a "transaction" for the purposes of Chapter 14 of the Hong Kong Listing Rules. Accordingly, the Proposed Spin-off is not subject to any requirement under the Hong Kong Listing Rules to obtain shareholders' approval or prepare pro forma financial statements although the Proposed Spin-off exceeds one of the pro forma thresholds set out in Paragraph 24(a) of Part 9 of the Fifth Schedule. If we are required to comply with the Pro Forma Financial Information Provisions, it could be potentially confusing for our Shareholders and potential investors. Differences in the disclosures will also result in non-parity of information between the various groups of investors in Hong Kong and Singapore, thus potentially presenting an uneven playing field between the different groups of investors. As such, it would be unduly onerous, and extensive time and resources would be unnecessarily expended by us, to include such disclosures in this Introductory Document that are not required by its home exchange.

RISK FACTORS

An investment in our Shares involves risk. Prospective investors should rely on their own evaluation and carefully consider the following risk factors, in addition to other information contained elsewhere in this Introductory Document, before investing in our Shares. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the following risks and other factors elsewhere in this Introductory Document. If any of the risks described herein actually occur, our performance, prospects, financial condition, results of operations and ability to make dividend payments could be negatively affected, the trading price of our Shares, if any, could decline and investors may lose all or part of their investment.

Unless quantified in the relevant risk factors set out herein, we are not in a position to quantify the financial or other implications of any of the risks described in this section. Potential investors should pay particular attention to the fact that we are governed in jurisdictions such as the Cayman Islands, Hong Kong (China), the PRC and other countries or regions which we operate in by a legal, regulatory and business environment which in some material respects may be different from that which prevails in Singapore and other countries. In addition, the following risk factors may not be exhaustive, and additional risks and uncertainties not presently known to us or which are currently deemed to be immaterial may become material in the future, which could have a material adverse effect on our businesses, performance, prospects, financial condition, results of operations and ability to make dividend payments or the trading price of our Shares, if any. Prospective investors should be aware that the price of our Shares may fluctuate. Investors should also note that they may not recoup all or any portion of their original investment.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We may be adversely affected by the complexity and changes in the laws and regulations on pharmaceutical business in the jurisdictions where we operate in.

We operate in the pharmaceutical industry. Several regulatory authorities oversee different aspects of our operations, and we are required to obtain a wide range of government approvals, licences, permits and registrations in connection with our operations. In addition, the relevant government of the various jurisdictions which we operate in may enact new laws and regulations that require additional licences, permits, approvals and/or registrations for the operation of any of our existing or future business. Our Group has obtained all the requisite approvals, licences, permits and registrations and complied with the applicable laws and regulations that materially affect our operations and/or financials. However, we cannot assure you that we will be able to maintain, renew or obtain permits, licences, registrations, approvals and/or business licences covering a sufficient scope of business in a timely manner or at all.

In recent years, the PRC's pharmaceutical industry has undergone multiple policy reforms and implementations, such as adjustments to the NRDL, national volume-based procurement ("**National VBP**"), expansion of the NEDL, consistency evaluations, and diagnosis-related group payment reforms. While these reforms have aimed to promote the long-term healthy development of the industry, they have exerted significant short-term pressure on pharmaceutical companies, including our Group.

Since the pilot implementation of the "4+7" city centralised drug procurement programme in 2019, National VBP has become a routine practice. The policy goal of the National VBP is to bring down drug prices by relying on VBP and a bidding process organised by the state. Please see the section entitled "*REGULATIONS – THE PRC – OTHER LAWS AND REGULATIONS IN RELATION TO MEDICAL INDUSTRY – Centralised Procurement and Bidding Process*" of this Introductory Document for more policy details of the National VBP. Based on its current policy requirements, products included under the National VBP are generally mature products with intense homogeneous competition, that is, when a mature product has been in the market for a prolonged period of time such that a number of generic products have been developed by domestic pharmaceutical companies under the same chemical name, as compared to innovative or exclusive products with no such homogeneous competition.

As of the end of the Period under Review, three (3) of our original drugs were affected by National VBP – Deanxit was included in the seventh batch of National VBP, while Plendil and Ursofalk were included

in the eighth batch of National VBP. The seventh and eighth batches of National VBP were implemented in November 2022 and July 2023, respectively, and Deanxit, Plendil, and Ursofalk did not win bids due to higher quoted prices, which had a material adverse impact on our revenue and margins in FY2023 and FY2024.

In the case that all medicines were directly sold by our Group, the total revenue of the three (3) affected products decreased by RMB 1,086.9 million in 2024, representing a 28.8% decrease compared to the same period in 2023. Under the National VBP policies for the seventh and eighth batches, only a few products (whether original or generic) under the same chemical name are selected for VBP in hospitals, which are typically the products that win bids by offering prices significantly lower than their pre-National VBP pricing. If a drug licensed to our Group is included in the National VBP but is not selected through the bidding process, we lose the opportunity to benefit from the purchases reserved for bid-winning products. Bid-winning products for National VBP and their procurement parameters are decided by the competent authorities, while public hospitals determine and declare to the competent authorities their procurement quantities within these parameters, which typically account for 50% to 80% of their declared purchases. Even though we did not win bids due to higher quoted prices, we were still required to implement certain price reductions for these three (3) products, as negotiated and agreed upon with the competent authorities under National VBP policy. The extent of these price reductions was lesser compared to the products that won the bids (around 10% lower for Deanxit, and around 20% lower for Plendil and Ursofalk, compared with their respective prices before National-VBP inclusion). Nevertheless, following the implementation of the seventh and eight batches of National VBP, our Group is required to supply these three (3) products at these reduced prices to our customers (including pharmacies) across the PRC, leading to a decline in revenue and profit for these products during the Period under Review, which adversely affected our Group's sales and profitability.

Although the sale of these three (3) affected original drugs to the hospitals cannot be part of the stipulated prioritised hospital supplies, the majority of hospitals (including public hospitals) could still buy these three (3) original drugs, albeit in lower volumes and at prices aligned with the agreed reductions (around 10% lower for Deanxit, and around 20% lower for Plendil and Ursofalk compared with their respective prices before National VBP inclusion), during the implementation periods. We also continued to sell the three (3) affected original drugs at pharmacies under these agreed reduced prices during the Period under Review. Many patients, confident in the efficacy of these original drugs based on their past usage, choose to purchase them from pharmacies. Such customer preference has helped sustain our sales of these three (3) products at around 50% of the sales compared to the pre-National VBP inclusion level after a full year of implementation of the National VBP. Following the conclusion of the implementation periods of the relevant batches of National VBP, we expect sales of these products to both hospitals and pharmacies to continue, subject to National VBP, market demand and purchasing decisions.

Each batch of the National VBP has a specified implementation period. The implementation period for the seventh batch of National VBP (covering Deanxit) is two years (from November 2022 to November 2024), while the implementation period for the eighth batch of National VBP (covering Plendil and Ursofalk) is approximately two and a half years (from July 2023 to December 2025). Following the completed implementation of the seventh batch of National VBP, and the implementation of the eighth batch of National VBP for a full year from July 2023 to July 2024, the sales of Deanxit, Plendil and Ursofalk decreased to around 50% of their pre-National VBP levels. As of the end of the Period under Review, our sales of these products had stabilised at around this 50% mark of their pre-National VBP levels, with no further material changes observed. While our Group may not be able to return to the same sales volumes or prices for Deanxit, Plendil and Ursofalk as their pre-National VBP levels following the conclusion of their respective implementation periods, all material adverse financial and operational impacts of the seventh and eighth batches of National VBP have been captured in our financial performance for FY2023 and FY2024. The sales volumes and prices for these three (3) products have now normalised at these reduced levels. Accordingly, barring any unforeseen regulatory changes or policy developments, we do not expect any material adverse changes in the sales volumes and prices of these three (3) products after the implementation periods of the seventh batch and the eighth batch of National VBP. Consequently, no further material adverse impact on our Group is expected beyond these periods. Illustratively, none of our products have been affected by the implementation of the ninth and tenth batches of National VBP.

After over a full year of National VBP implementation for the three (3) affected products, the impact of the National VBP has been gradually mitigated, as the contribution of these products to our Group's business has gradually been reduced compared with the period before their inclusion in the National VBP. For FY2022, FY2023 and FY2024, in the case that all medicines were directly sold by our Group, the combined sales revenue of the three (3) products accounted for approximately 52.3%, 39.9%, and 31.2% of our Group's revenue respectively.

Aside from the three (3) products affected by National VBP, as well as Salofalk (which, as of 31 December 2024, has been included under provincial-level centralised procurement since 2022 but not under the National VBP due to the lack of competitive generic products that have passed the consistency evaluation), we do not expect our other major marketed products to be affected by the National VBP or provincial-level centralised procurement in the near future as they are primarily exclusive and innovative products. Compared to the National VBP, provincial-level centralised procurement typically involves more localised price adjustments and procurement practices, resulting in a smaller overall impact due to the narrower scope of geographical coverage. Although the inclusion of Salofalk in provincial-level centralised procurement did not have a material adverse effect on our Group's financials or operations during the Period under Review, we cannot assure you that the future inclusion of our other major marketed products in provincial-level centralised procurement, while unlikely, will not have any material adverse effect on our business, financial position and results of operations.

For FY2022, FY2023 and FY2024, in the case that all medicines were directly sold by our Group, the combined sales revenue of non-National VBP exclusive products and innovative products[1] accounted for approximately 34.9%, 46.2%, and 52.8% of our Group's revenue respectively. Moving forward, our Group plans to drive sales growth in non-National VBP exclusive products and to commercialise more differentiated innovative products annually. These efforts are critical to sustaining our growth and mitigating the financial impact of having our products included in the National VBP catalogue. However, if we are unable to achieve these goals, we may not be able to fully offset the negative financial effects caused by the National VBP inclusions, which could materially and adversely affect our business, financial condition and results of operations.

Further, the PRC government imposes licensing and permit requirements for companies in the pharmaceutical industry. See "*Regulations — The PRC – Regulations on Foreign Investment in the PRC*". These laws and regulations are relatively new and may change in the future. As a result, in certain circumstances it may be difficult to determine what actions or omissions may be deemed to be in violation of applicable laws and regulations. Furthermore, we cannot assure you that we have complied or will be able to comply with all applicable laws and regulations at all times. In 2021, one of our subsidiaries paid an immaterial administrative penalty for a minor violation. Although this administrative penalty did not have a material adverse effect on our Group's business, financial position or results of operations, and we have implemented corrective actions and proactive measures to prevent recurrence, it highlights the risks associated with non-compliance with applicable laws and regulations which could subject us to governmental investigations, orders by the competent authorities for rectification, administrative penalties or other legal proceedings, and we cannot assure you that any future occurrence of such regulatory actions will not have a material adverse effect on our business, financial position and results of operations.

Our business operations may be materially and adversely affected if we fail to comply with laws, regulations and conditions stipulated in any licences, permits, registrations or approvals, and/or are unable to obtain, maintain and/or renew the required licences, permits, registrations and approvals.

In carrying out our business operations, we are required to comply with relevant laws and regulations and obtain certain licences, permits, registrations and approvals from various governmental authorities in the countries that we operate in. Please refer to the sections entitled "*Regulations*" and "*Business – Licences, Permits and Approvals*" of this Introductory Document for a summary of the key laws and

[1] In comparison with the National VBP products, the non-National VBP exclusive products have comparable gross profit margins, however, the National VBP products may have slightly higher net profit margins due to higher economies of scale following a longer time period of marketing and commercialisation.

regulations affecting our Group and the key licences, permits, registrations and approvals obtained as at the Latest Practicable Date.

Some of these licences, permits, registrations and approvals may be subject to periodic renewal and reassessment by the relevant authorities, and the standards of compliance required in relation thereto may from time to time be subject to changes. New laws, regulations or policies may also be adopted. Accordingly, we have to constantly monitor and ensure compliance with the relevant conditions, laws and regulations. While we have not encountered any instances of failure to obtain or renew any licences, permits, registrations or approvals required for the operation of our business during the Period under Review, obtaining, retaining or renewing the terms of the necessary licences, permits and registrations or approvals can be a time-consuming process. There is no assurance that we will be able to obtain renewed licences, permits, registrations and approvals upon their expiration in a timely manner, or at all. Any failure to obtain or renew such licences, permits, registrations and approvals as planned, or any requirement for a more stringent compliance standard may have a material and adverse effect on our business, results of operations and financial position.

Our products that have received regulatory approvals may be subject to conditions of approval or limitations on the approved indicated uses for which our products may be marketed, or we may be required to perform post-marketing testing or continuously monitor the safety and efficacy of the drug candidates used in our products, which could adversely affect our products' commercial potential. The regulatory authorities may also require a risk evaluation and mitigation strategy programme as a condition of approval of our products or following approval. If the regulatory authorities approve our products, we will have to comply with requirements, including submissions of safety and other post-marketing information and reports, and registration, as well as continued compliance with Good Manufacturing Practices and Good Clinical Practices, and rules governing advertising and promotion for commercialised products as well as any clinical trials that we conduct post approval.

In addition, if any of our in-house products receives regulatory approval in the future, it will be subject to potential future change and additional regulatory requirements for manufacturing, labelling, packaging, storage, advertising, promotion, sampling, record-keeping, conduct of post-marketing studies, and submission of safety, efficacy, and other post-market information.

Further, after our products are approved by the regulatory authorities for marketing, although our Group has encountered no product recalls due to a subsequent discovery of problems with the products that resulted in material adverse impact on our Group's operations and/or financials, there may be a subsequent discovery of problems with respect to our products which had not been identified previously, including adverse events, problems with third-party manufacturers or manufacturing processes, or failure to comply with regulatory requirements. Such problems may result in, among others:

- restrictions on the marketing or manufacturing of our products, withdrawal of our products from the market, or voluntary or mandatory drug recalls;
- fines or warning letters;
- suspension of clinical trials for drug candidates where there is a relationship between the other drug candidates in a clinical trial and a pharmaceutical product which has presented AEs or the drug candidate would be manufactured using the same manufacturing facility as used to manufacture the pharmaceutical which has presented AEs;
- refusal by the regulatory authorities to approve pending applications or supplements to approved applications filed by us;
- suspension or revocation of existing drug licence approvals;
- drug seizure or detention, or refusal to permit the import or export of drugs;
- harm to our reputation;
- legal liability; and

- injunctions or the imposition of civil, administrative or criminal penalties.

The regulatory authorities strictly regulate the marketing, labelling, advertising and promotion of products that are placed on the market. Drugs may be promoted only for their approved indications and for use in accordance with the provisions of the approved label. The regulatory authorities actively enforce the laws and regulations prohibiting the promotion of off-label uses, and a company that is found to have improperly promoted off-label uses may be subject to significant liability. If we are not able to maintain regulatory compliance, we may face regulatory sanctions and potentially could lose the regulatory approvals that we have already obtained and may not achieve or sustain profitability, which in turn could have a material and adverse effect on our business, financial condition, results of operations and prospects.

There is also no assurance that the regulatory environments in which we operate will not change significantly or become more stringent in the future. Compliance with existing or new laws and regulations may increase our compliance costs, which may adversely affect our business, operations, financial performance and prospects. In addition, there is no assurance that we would be able to comply with such amended or new laws and regulations, which may have an adverse effect on our business, operations, financial performance or prospects. In the event that we fail to comply with the relevant laws and regulations, we may be penalised for such breaches of law or regulation and we may have to incur significant expenses and divert substantial management time to resolve any deficiencies, and our business, operations, financial performance and prospects may be adversely affected as a result.

During the Period under Review, there were no past incidents concerning our Group's inability to obtain, maintain or renew permits and/or regulatory licences that had a material adverse impact on our Group's financials and/or operations, but we cannot assure you that any future occurrence of such events will not have a material adverse effect on our business, financial position and results of operations.

We may be subject to unfavourable pricing and reimbursement regulations, which may affect our profitability.

The regulations that govern regulatory approvals, pricing and reimbursement for new pharmaceutical products vary widely from jurisdiction to jurisdiction. Some jurisdictions require approvals of the sale price of a drug before marketing. In many jurisdictions, the pricing review period commences after marketing or licensing approvals are granted. In some markets, prescription pharmaceutical pricing remains subject to continuing governmental control even after initial approvals are granted. In addition, drug pricing policies may change in the future in many jurisdictions. As a result, we might obtain regulatory approvals for a pharmaceutical product in a particular jurisdiction, but then be subject to price regulations that delay our commercial launch of our products and negatively impact the revenues we are able to generate from the sale of our products in that jurisdiction. Adverse pricing limitations may hinder our ability to recoup our investment in one or more products, even if our products obtain regulatory approvals.

In the PRC, the NRDL directly influences the reimbursable amounts available to programme participants. In recent years, the PRC government has encouraged the inclusion of drugs with high innovation levels and urgent clinical needs in the NRDL, but uncertainties in price negotiations have resulted in their inability to be included. If we succeed in launching commercial sales of our products but fail to secure their inclusion in the NRDL, patients will have to purchase such products at their own expense. This may render our products less competitive in the market and could materially and adversely affect our profitability.

Government authorities and third-party payers, such as private health insurers and healthcare organisations, decide which medications they will pay for and stipulate reimbursement levels. With the trend of cost containment in the global healthcare industry, government authorities and third-party payers have attempted to control costs by limiting coverage and the amount of reimbursements for particular medications. There is an increasing number of third-party payers requiring pharmaceutical companies to provide them with predetermined discounts from list prices and challenging the prices charged for medical products. There can be no assurance as to whether, or to what extent, reimbursements will be available for any of our pharmaceutical products. Reimbursement may impact the demand for, or the price of, any pharmaceutical for which we obtain regulatory approvals. If

reimbursement is not available or is available only to limited levels, we may not be able to successfully commercialise the in-house products that we have developed or the in-licensed products that we have licensed.

There may be significant delays in obtaining reimbursements for approved pharmaceutical products, and coverage may be more limited than the indications and purposes for which the pharmaceutical products are approved by the regulatory authorities. Moreover, eligibility for reimbursements does not imply that any pharmaceutical product will be paid for in all cases or at a rate that covers our costs, including licensing fees, royalties, R&D, manufacture, sale and distribution. Interim payments for new pharmaceutical products, if applicable, may also not be sufficient to cover our costs and may be subject to change. Payment rates may vary according to the use of the pharmaceutical product and the clinical setting in which it is used, may be based on payments allowed for pharmaceutical products with lower costs that have been covered in reimbursement policies, and may be incorporated into existing payments for other services. Net prices for pharmaceutical products may be reduced by mandatory discounts required by governmental healthcare programs or private payers and by any future lift or relaxation of laws and regulations that presently restrict imports of pharmaceutical products from jurisdictions where they may be sold at lower prices than in the jurisdictions in which we operate or have a presence. Our inability to promptly obtain coverage and profitable payment rates from both government-funded and private payers for any future approved pharmaceutical products and any new pharmaceutical products that we develop or market could have a material adverse effect on our business, financial condition, results of operations and prospects.

We are affected by the risks associated with our R&D efforts, including the selection of drug candidates and clinical drug development activities.

Our growth and financial performance depend significantly on our ability to successfully identify, develop and commercialise new drug candidates through our R&D efforts. The pharmaceutical industry, which is characterised by rapid technological advancements, constant innovation and changing market demands, is highly competitive. Our competitors may develop more advanced or cost-effective technologies, which could render our products less competitive or obsolete. To maintain our competitive position, we must continuously invest in R&D to introduce new products, improve existing ones, and adapt to evolving engineering and production technologies. Such investments, which are without a guaranteed return, may materially and adversely affect our finances.

The selection of drug candidates for clinical development carries substantial risks due to the inherent complexities of R&D, the significant costs involved, and the lengthy timelines associated with clinical trials. The outcome of our clinical trials is uncertain, and favourable results in preclinical studies or early-stage trials do not guarantee success in later stages. If our drug candidates fail to demonstrate the required safety and efficacy in clinical trials, or if we encounter delays or cost overruns, we may be unable to obtain the necessary regulatory approvals or bring these products to market, which could adversely affect our business, financial condition and results of operations.

Our limited financial and managerial resources may also necessitate prioritising certain drug candidates or indications over others, which may result in missed opportunities for drug candidates or indications with greater commercial potential. If we do not accurately assess the market potential of a drug candidate, we may forgo valuable opportunities or enter into collaboration, licensing or partnership arrangements when it may have been more advantageous to retain full development and commercialisation rights.

Clinical trials are also costly and time-consuming, often requiring years to complete. The results of these trials may vary due to numerous factors, including differences in trial procedures, patient demographics, and other unforeseen variables. We may face delays or challenges in the enrolment of patients, procuring adequate supplies for trials, and managing the performance of third-party contract research organisations and collaborators. Furthermore, extrinsic factors such as changes in regulatory requirements, supply chain disruptions, or global health crises (such as COVID-19 pandemic) could further hinder our clinical development activities.

Even if our drug candidates successfully progress through clinical trials, their commercialisation is contingent upon obtaining regulatory approvals and securing favourable market conditions. We may face competition from other pharmaceutical companies, which could affect our ability to launch and

market our products. In addition, the reimbursement landscape may be complex, and we may not secure favourable pricing or reimbursement terms for our products, which could affect our ability to achieve commercial success for these products.

If we are unable to efficiently identify, develop and commercialise new drug candidates, or if we experience significant delays or cost overruns in the clinical development process, our business, financial condition, and results of operations could be materially and adversely affected.

We plan, budget and manage our inventory and production based on our sales forecasts.

We plan our inventory of in-licensed products and budget production of in-house products based on sales forecasts, including estimated sales based on historical experiences with our customers, their demand projections, and current market conditions of the pharmaceutical industry. There can be no certainty that such sales forecasts will be accurate or materialise into actual purchase orders. Any inaccuracies in these sales forecasts will adversely affect our production efficiencies and we risk committing resources for sales forecasts that may not materialise. Such inaccuracies in sales forecasts will cause inefficiencies in our production processes and potential misallocation of resources, such as staff and raw materials, which could have been better utilised for other profitable products. Moreover, in relation to inventory, we face significant risks due to increased competition, new product launches, rapid changes in the pharmaceutical industry, pricing pressures, defective products and shifts in consumer demand. The purchase orders we receive may exceed or fall short of our sales forecasts, causing either production or inventory build-up or shortages, both of which could adversely impact our financial condition. Revenue from the sales of goods by our Group is recognised at the point in time when the control of the asset is transferred to the customer on delivery of the goods. Sales orders cancelled prior to actual deliveries would not be recognised as revenue. No such cancelled sales orders were recognised as revenue during the Period under Review. During the Period under Review, impairment loss on inventories amounted to nil, RMB33.2 million and nil for FY2022, FY2023 and FY2024 respectively. The impairment loss on inventories of RMB33.2 million for FY2023 was primarily due to an overestimation of demand for certain products, which resulted in lower-than-expected sales. Additionally, new products are vulnerable to changes in regulatory requirements, and delays in product launches which are outside of our control. The occurrence of any of the foregoing may have a material and adverse effect on our business, financial position, results of operations and prospects.

Although our Group's loss on inventory obsolescence as a percentage of our Company's total profit before tax was less than 5% during the Period under Review, as disclosed in the section of this Introductory Document entitled "*Business – Inventory Management*", there can be no assurance that we will not, in the future, encounter loss on inventory obsolescence that would have a material adverse impact on our Group's business operations and/or financials.

Save as disclosed under this risk factor entitled "*We plan, budget and manage our inventory and production based on our sales forecasts.*" of this Introductory Document, there were no such past incidents which had a material adverse impact on our Group's business operations and/or financials, but we cannot assure you that any future occurrence of such events will not have a material adverse effect on our business, financial position and results of operations.

We acquire in-licensed products and key raw materials for the manufacturing of our self-produced products from our suppliers.

We rely on our suppliers for both in-licensed products and key raw materials required in the manufacturing of our self-produced products.

Our ability to maintain a stable supply of these in-licensed products and key raw materials is crucial to our operations, particularly as we continue to grow and expand. Lead times for these supplies can vary significantly depending on factors such as supply and demand at any given time. Competition for key raw materials can also drive up prices and extend lead times, potentially disrupting our operations.

Although our operations have not yet been materially adversely affected by shortages or interruptions in these supplies, we cannot guarantee that such issues will not arise in the future. If our competitors establish exclusive arrangements with our suppliers, we may be forced to explore alternative sourcing options. However, we cannot assure you that we will be able to find alternative suppliers who can meet

our specifications, delivery requirements, and pricing expectations in a timely manner, or at all. Any inability to secure alternative sources could materially and adversely affect our business, results of operations, and financial position.

As we continue to grow, our need for reliable supplies of key raw materials will increase. If our growth outpaces our ability to secure these resources, we may struggle to meet our delivery requirements, impeding our expansion plans and potentially reducing our profit margins due to rising costs of key raw materials.

Currently, we rely on multiple suppliers to meet our needs for key raw materials. While we have agreements with our suppliers that we believe are capable of meeting our demands, any disruption in supply or a supplier's inability to provide adequate quantities could impair our operations and delay the development and commercialisation of our drug candidates or operations (as the case may be).

Moreover, our need for a stable supply of key raw materials is expected to increase significantly as we move from R&D to commercial production upon receiving marketing approvals. There is no assurance that our current suppliers can or will meet this increased demand. Delays in receiving key raw materials of the required quantity and quality could delay the completion of our clinical trials, regulatory approvals for our in-house products, or our ability to meet market demand for commercialised products. Additionally, our suppliers may reduce or cease their supply to us, which could lead to price increases that we may not be able to pass on to customers, thereby lowering our profitability.

Quality control is another significant concern. While we implement quality inspections on the suppliers we receive, there is no guarantee that all quality issues will be identified. Suboptimal or deficient supplies could hinder the development of our drug candidates, expose us to product liability claims, which we may or may not be able to rely on back-to-back warranties or indemnification arrangements, or otherwise have a material adverse effect on our operations.

Furthermore, the suppliers we depend on must maintain and renew all necessary licences, permits, and approvals, and comply with all applicable laws and regulations. If these third parties fail to do so, their business operations could be interrupted, leading to shortages of the key raw materials we need. This could cause delays in clinical trials and regulatory filings, or even necessitate product recalls. Additionally, their non-compliance could result in significant costs for us as we work to rectify these issues, potentially causing substantial harm to our business, financial condition and results of operations.

***Our leased property interest or entitlement may be defective or subject to lien and our right to lease, own or use the properties affected by such defects or lien may be challenged, which could cause disruption to our business*.**

Under PRC laws, all lease agreements are required to be registered with the local housing authorities. With respect to sixteen (16) key commercial properties (including offices, research and development facilities, warehouses and manufacturing plants) currently leased by our PRC Principal Subsidiaries which are covered by the registration requirement, six (6) of these leased properties have not been filed and registered with the relevant local housing authorities (the "**Unregistered Leases**"). Of these six (6) Unregistered Leases, as of the Latest Practicable Date, our Group is in the process of rectifying and registering two (2) leases. The remaining four (4) leases cannot be registered due to reasons such as the unavailability of the property ownership certificates or land use rights certificates. Failure to complete these required registrations in a timely manner may expose our lessors and us to potential monetary fines. If these registrations are not obtained in a timely manner or at all, we may be subject to monetary fines and incur the associated losses in terms of communication and coordination costs with the lessor.

To mitigate the risk from non-registration of leases, our Group has implemented an internal procedure requiring registration with the local authorities after signing the lease contract and to monitor the status of the registration of leases.

According to the PRC Civil Code, the Interpretation of Supreme People's Court on Several Issues Concerning the Specific Application of Law in the Trial of Cases Involving Disputes over Contracts for Lease of Urban Houses (最高人民法院关于审理城镇房屋租赁合同纠纷案件具体应用法律若干问题的解释), and our PRC Legal Adviser's opinion, failure to complete leasing registration and filing procedures in relation to the lease contract shall not affect the validity of such lease contract, which shall be lawful, valid and binding upon the parties thereto. Thus, our Group would not be required to vacate or relocate its operations from the affected properties, and our Group's business operations and/or financials would not be materially affected by the non-registration of the leases. The tenant shall have the right to occupy and use such leased property in accordance with such lease contract.

However, according to the Administrative Measures on Leasing of Commodity Housing (商品房屋租赁管理办法), "The lessor and the tenant shall complete property leasing registration and filing formalities within 30 days from execution of the property lease contract with the development (real estate) department of the People's Government of the centrally-administered municipality, municipality or county where the leased property is located. The lessor and the tenant may entrust others in writing to complete leasing registration and filing formalities." If the lessor and tenant fail to comply with these provisions, they may be ordered by the competent authorities to make correction within a prescribed time limit; failure to do so may result in a fine ranging from RMB 1,000 to RMB 10,000 per lease.

As of the Latest Practicable Date, none of the PRC Principal Subsidiaries has received a correction notice from the relevant local authorities. Our PRC Legal Adviser has further confirmed that fines are only imposed if the tenant fails to make corrections within a prescribed time limit after receiving such a notice. Therefore, as of the Latest Practicable Date, our Group does not anticipate any payment of fines for the PRC Principal Subsidiaries.

As mentioned above, if any PRC Principal Subsidiary fails to make corrections within a prescribed time limit after receiving a correction notice, it may be subjected to fines. As of the Latest Practicable Date, the potential quantum of fines may be imposed on the PRC Principal Subsidiaries for the Unregistered Leases is estimated to be RMB60,000. Apart from fines, no other regulatory actions are expected to be imposed on our Group in relation to the non-registration of leases in PRC.

Some of the ownership certificates or other similar proof of certain leased properties have not been provided to us by the relevant lessors. Therefore, we cannot assure you that such lessors are entitled to lease the relevant real properties to us. If the lessors are not entitled to lease the real properties to us and the owners of such real properties decline to ratify the lease agreements between us and the respective lessors, we may not be able to enforce our rights to lease such properties under the respective lease agreements against the owners. If our lease agreements are claimed as null and void by third parties who are the real owners of such leased real properties, we could be required to vacate the properties, in the event of which we could only initiate the claim against the lessors under relevant lease agreements for indemnities for their breach of the relevant leasing agreements.

We may incur costs and liabilities as a result of product liability claims.

We generally provide products that are packaged and have a shelf life of at least six (6) months or more. If there are damaged packaging or unsalable products during shipping, replacement is usually allowed. If our products are found to contain defects or safety issues, we may be required to compensate our customers and/or incur additional expenses for any remedial actions to be taken to rectify and make good such defects or safety issues. We may also have to conduct product recall exercises if our products are found to be defective or unsafe. While we have implemented quality assurance procedures and a sound quality management system, particularly in compliance with Good Manufacturing Practice standards, Good Storage Practice standards, and Good Supplying Practice standards, there is no guarantee that our products will always be able to strictly comply with regulatory requirements and stay clear of any regulatory penalties.

We are subject to laws and regulations relating to product liability arising from the manufacture and/or sale of our products. Product liability can arise from any number of issues with products, including defects or safety hazards. In addition, we may incur liability for any loss or damage suffered by third

parties arising from defects in products supplied by us, if such loss or damage is the result of a defect attributable to our negligence. In addition, we may incur liability under our contracts with our customers for defective products. Further, we may also have to recall our products if there are allegations of our products being unsafe, which may adversely affect our reputation.

Indemnification arrangements which we may have with our suppliers may not cover the types of claims made against us or may be limited in amount, or the suppliers may not be creditworthy or able to pay. If we are subject to product liability claims or if we attempt to enforce indemnification arrangements, we may incur increased litigation costs and our management's attention may be diverted. Should any of these events occur, our business, results of operations and financial performance could be materially and adversely affected.

Product liability claims can be expensive to defend and can divert the attention of management and other personnel for long periods of time, regardless of the ultimate outcome. We have not taken out product liability insurance in respect of the manufacture and distribution of pharmaceutical products in the PRC as the process of procuring product liability insurance typically requires the disclosure of product-related trade secrets and confidential information to the insurance provider and such disclosure requires the consent of our suppliers, which is generally not granted by our suppliers. As such, we bear the risk of product liability claims and we believe that such an approach is a generally accepted industrial practice in the PRC. If we cannot successfully defend ourselves against product liability claims, we may incur substantial liabilities and this could materially and adversely affect our business, financial position and results of operations. Product liability claims could also damage our brand and our reputation for quality premium products, regardless of the ultimate outcome.

Any defects or errors in our products and services or failure to satisfy the requirements of our customers or regulations affecting our customers could result in adverse customer reaction towards us. These include negative information, additional expenditure to correct problems and claims against us. These claims may include payment for recall of products, or to indemnify our customers for the costs of any such claims or recalls which they face as a result of using our products.

We have not experienced any material product recalls or material product liability claims during the Period under Review. We have also not incurred material costs and liabilities as a result of product liability claims during the Period under Review. There is however no assurance that we will not face such claims in the future. Any significant claim against us in the future may have a material adverse effect on our business, results of operations, financial position and cash flow.

Like most business-to-business businesses in the pharmaceutical industry, we are exposed to concentration risk of reliance on our major customers, and may be adversely affected by any disruption or termination of our business relationships with our major customers or fluctuations in their demand for our products.

During the Period under Review, we generated significant sales from our major customers. For FY2022, FY2023 and FY2024, the total sales generated from our five (5) largest customers accounted for approximately 33.3%, 35.5% and 31.2% of our Group's revenue respectively. For the same period, the sales to the largest customer accounted for approximately 14.4%, 20.2% and 18.7% of our Group's revenue respectively. We expect revenue generated from our major customers to continue to represent a significant portion of our revenue in the foreseeable future. As such, we may be subject to concentration risk from such customers. Please refer to the section entitled "*Business – Major Customers*" of this Introductory Document for further details of our major customers. Although a portion of the revenue generated from our major customers includes drugs affected by the National VBP, we do not expect the National VBP to have a material adverse effect on our Group's business, financials or operations in the future. As of the Latest Practicable Date, besides Deanxit, Plendil and Ursofalk, none of the major drugs licensed by our major customers have been included in the National VBP. Please refer to the section entitled "*Business – Our Group*" and the risk factor entitled "*We may be adversely affected by the complexity and changes in the laws and regulations on pharmaceutical business in the jurisdictions where we operate in.*" for further details on how we mitigate the adverse impact of drugs affected by the National VBP. However, there is no assurance that we will continue to be successful in such mitigation.

Although our Group has established stable business relationships with our major customers due to long working relationships as well as the quality of the products and services supplied to these major customers, there is no assurance that we will be able to retain these major customers or that they will maintain their business relationships with us. If there is a reduction or cessation of orders from these major customers and we are unable to obtain suitable orders of a comparable size and terms in replacement, our business, results of operations, financial position and cash flow may be materially and adversely affected.

With our major customers, our business is generally based on long-term exclusive contracts which are renewed automatically. Nevertheless, we are willing to engage all of our customers annually to revise any key commercial terms of the respective contracts, if necessary. Such terms and conditions include territory, validity period and renewal, right to termination by either party and exclusivity of the licence. Save as disclosed under the section entitled "*Connected Transactions, Related Party Transactions and Potential Conflicts of Interests*" of this Introductory Document, these long-term exclusive contracts have no connection to the Directors, Executive Officers and/or Controlling Shareholders of our Group.

Our ability to maintain our price competitiveness and adhere to high quality standards is therefore important to our ability to secure new orders or renew existing contracts. There is no guarantee that our existing customers will continue to place orders or that the volume of our orders will be maintained. While we do enter into long-term contracts with our major customers, the selling prices for some of our existing products may still be subject to price revisions due to, *inter alia*, regulatory polices such as the National VBP, periodic reviews incorporated into such contracts, price competition from other approved licensees, rapid technological changes and short product life cycles. Rapid technological changes and short product life cycles leading to new products being introduced into the market at a faster pace may also cause selling prices of existing products to drop. Should the selling prices of our existing products decrease and we are unable to secure sufficient additional orders to make up for the loss in revenue, our business, results of operations, financial position and cash flow may be materially and adversely affected.

There is also no assurance that we would be able to continue to maintain good business relationships with our customers in the future. Our existing customers are not obliged to continue providing us with new businesses in the future at a level similar to that in the past or at all. Should any of these customers reduce substantially the size of its transactions with us, terminate its business relationship with us entirely, wind up or fail to make payments on time, there can be no assurance that we would be able to secure new businesses from other customers to compensate for such reduction in transactions or loss of business entirely. We have invested in branding, sales and marketing to acquire and retain new customers since our inception and will continue to maintain our efforts to attract new customers but there is no guarantee that new customers will stay with us or that the profits from new customers will outweigh the cost of acquiring them. In addition, there can be no assurance that new businesses secured from new customers (in replacement or otherwise), if any, would be on commercially comparable terms. Accordingly, our business, results of operations, financial position and cash flow may be materially and adversely affected.

There were no such past incidents which had a material adverse impact on our Group's business operations and/or financials, but we cannot assure you that any future occurrence of such events will not have a material adverse effect on our business, financial position and results of operations.

We are exposed to the credit risks of our customers.

Our Group's trading terms with its customers are mainly on credit. The credit period generally ranges from 0 to 90 days, except for certain customers which are granted with a longer credit term depending on factors including, but not limited to, the customer's credit rating, payment history and length of their relationship with our Group. The credit terms for major customers are reviewed regularly by senior management.

While our Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk, there is no guarantee that our customers will settle payment in full as it falls due. In the event our customers are unable to settle trade amounts due to us on a timely basis, this will have an adverse impact on our results of operations, cash flows and financial position.

At the end of each reporting period, the provision for impairment on trade receivables amounted to RMB9.6 million, RMB10.0 million and RMB9.5 million in FY2022, FY2023 and FY2024 respectively. Please refer to the section entitled "*Business – Credit Management*" of this Introductory Document for further details on our credit management procedures.

In addition, should the creditworthiness of our customers deteriorate or should a significant number of our customers fail to settle their trade receivables in full for any reason, we may incur impairment losses and our results of operations and financial position could be materially and adversely affected. There is no assurance that we will be able to fully recover our trade receivables from our customers or that they will settle our trade receivables in a timely manner. In the event the settlements from our customers are not made on a timely manner, the financial position, profitability and cash flow of our Group may be adversely affected.

We operate in a highly competitive industry and may not be able to continue competing successfully.

Our business is highly competitive and we face competition from players in the market. Some of our present and potential future competitors may have access to greater financial, marketing, technical or manufacturing resources, and in some cases, higher brand recognition and more experience than we have. Some competitors may enter markets we serve and sell similar products at lower prices in order to gain and obtain a greater market share. Our competitors may be able to respond more quickly to new or emerging technologies and changes in regulatory or customer requirements. They may also be able to devote greater resources to the development, promotion and sale of their products and services than we can. Current and potential competitors may make strategic acquisitions or establish cooperative relationships among themselves or with third parties that enhance their ability to address the needs of our prospective customers. It is possible that new competitors or alliances among current and new competitors may emerge and rapidly gain significant market share. Our competitors may also produce or license products that are equal or superior to our products, or engage in aggressive pricing in order to gain or increase market share, which could subject our products to downward price pressures, reduce our market share, reduce our overall sales and require us to invest additional funds in new technology development or if we are not able to match such lower pricing. This may have a material adverse effect on our business, including our financial position, results of operations and cash flow.

Our continued commitment and innovation to the technologies and quality assurances in our products (whether in-licensed or in-house) and value-adding services are our assurances for us to keep being competitive. However, there is no assurance for us to remain competitive. In the event that we are unable to retain our existing customers and/or attract new customers amidst the competition, our business, results of operations, financial position and cash flow may be materially and adversely affected. Please refer to the section entitled "*Business – Competition*" of this Introductory Document for further details of the competition we face.

The regulatory approval processes of regulatory authorities for pharmaceutical products are time-consuming and unpredictable. If we are unable to obtain without undue delay any regulatory approvals for our products in our targeted markets, our business may be subject to actual or perceived harm.

We are subject to risks associated with obtaining regulatory approvals. Approvals by regulatory authorities for pharmaceutical products are subject to various factors that are generally not within our control. It generally takes years to obtain regulatory approvals following the commencement of preclinical studies and clinical trials. In addition, regulations, approval policies and requirements for clinical data may change during the clinical development process of a drug candidate and may vary in different jurisdictions. There can be no assurance that we will be able to obtain regulatory approvals for our products collaboratively developed and independently developed.

We may fail to receive the regulatory approvals from regulatory authorities for our products due to a number of reasons, including:

- disagreement in the design or implementation of clinical trials;

- failure to demonstrate that a product is safe and effective for its proposed indication;
- failure of clinical trial results to meet the level of statistical significance required for approvals;
- failure of clinical trial process to meet the requirements of Good Clinical Practices;
- failure to demonstrate that a product's efficiency and other benefits outweigh its safety risks;
- disagreement with our interpretation of data from preclinical studies or clinical trials;
- insufficient data collected from the clinical trials of our products to support submissions or regulatory approvals;
- changes in regulations or approval policies that render preclinical and clinical data insufficient for approval;
- failure of our manufacturing facilities or those of third-party contract manufacturers to pass Good Manufacturing Practices' inspections during the regulatory review process or across the production cycle of our products;
- failure of clinical sites to pass audits carried out by regulatory authorities, resulting in a potential invalidation of corresponding research data;
- findings by the regulatory authorities of deficiencies related to our manufacturing processes or the manufacturing facilities of third-party manufacturers from whom we procure clinical and commercial supplies; and
- failure of clinical trial process to keep abreast with any scientific or technological advancements required by regulations or approval policies.

The regulatory authorities may require more information to support approval, including additional preclinical, clinical or CMC data, which may result in either a delay in regulatory approval, therefore delaying our commercialisation plans, or in the denial of regulatory approval. In the case where an approval is issued, regulatory authorities may approve fewer indications, including undesired indications, of our products than the indications we applied for, or grant approvals contingent on the performance of post-marketing clinical trials.

Failure to obtain regulatory approvals as expected in a timely and cost-effective manner, or at all, or failure to obtain regulatory approvals with an ideal scope of indications could have a negative impact on the commercial prospects of our products (whether collaboratively or independently developed), and may cause reputational damage. While we have not failed to obtain any regulatory approvals for our products, nor received any material inspection findings or deficiencies in our manufacturing facilities from regulatory authorities which had a material adverse impact on our business, operations or financials during the Period under Review, there is no assurance that any occurrence of such events will not have a material adverse effect on our business, operations and financials in the future.

We are affected by marketing and promotion activities, and there is a risk that our products may not achieve market acceptance, leading to sales falling short of our expectations or forecasts.

We make significant investments in marketing and promotional activities to enhance the reputation and acceptance of our products following regulatory approvals. While we will continue to these efforts, we may be required to adopt new marketing strategies to keep pace with developments in the pharmaceutical industry and evolving customer preferences. If our marketing plans fail to achieve the expected outcomes, including market acceptance of our products, our product sales may fall short of our expectations or forecasts, which could materially and adversely affect our businesses, performance, prospects, financial condition and results of operations.

The degree of market acceptance of our products, if and when they are approved for commercial sale, will depend on a number of factors, such as:

- product labelling or packaging requirements of the regulatory authorities, including the clinical indications for which our products are approved, and limitations or warnings contained in the labelling;

- physicians, doctors, hospitals and patients considering our products to be safe and effective;

- whether our products have achieved First-in-class or Best-in-class status, and the potential and perceived advantages of our products over alternative treatments;

- the prevalence and severity of any side effects;

- timing of the launch and commercialisation of our products as well as of competitive drugs;

- cost of treatment in relation to alternative treatments;

- availability of adequate coverage and reimbursement from third-party payers and government authorities in some jurisdictions;

- willingness of patients to pay any out-of-pocket expenses in the absence of coverage and reimbursement by third-party payers and government authorities;

- relative convenience and ease of administration, including as compared with alternative treatments and competitive therapies; and

- the effectiveness of our sales and marketing efforts.

Even if our products achieve market acceptance, it may not be sustainable over time if new products or technologies are introduced which are more favourably received, more cost-effective than our products or render our products obsolete.

The commercialisation and business development of our products might not be in our full control.

For our products collaboratively developed and independently developed, for specific work or specific markets, we may seek external cooperation or out-license (including sub-licensing) our products from time to time.

In the future, we cannot assure you that if we decide to independently develop certain products, we will successfully be able to do so, or that any such partner will be able to successfully develop or commercialise products licensed from us, which in turn could adversely affect the licensing fees that we may receive from such arrangement. If we are unable to successfully identify a partner for a particular pharmaceutical product and are not able to further develop such product, we may not be able to recover our investment in that product.

Also, for our in-licensed product, we cannot assure you that if we will be able to in-license any pharmaceutical product in the future, we will be successful in identifying favourable candidate partners or that the prospective licensor would agree to license such product to us at favourable commercial terms or at all. Even if we are able to in-license the pharmaceutical products that we target, we cannot assure you that the products will be successfully commercialised. Even after we successfully in-license or out-license a pharmaceutical product, we cannot assure you that our licensors or licensees will not breach the relevant licence agreements, whether inadvertently or otherwise. Alternatively, our licensors or licensees might conclude that we have materially breached our licence agreements. In either case, the license agreements may be terminated, thereby removing our ability to continuously develop and commercialise the pharmaceutical products we in-license or generate licensing fees and royalties from the in-house products.

The negative information involving us or the pharmaceutical industry may materially and adversely affect our business and results of operations.

The pharmaceutical industry is particularly sensitive to issues relating to product safety, quality and regulatory compliance. Our operations and products may be materially and adversely affected by negative information or news reports (whether accurate or not) regarding such issues. Negative information may arise from news reports, regulatory actions, or allegations concerning the manufacturing, quality control, or safety of our pharmaceutical products. Moreover, the pharmaceutical industry is highly regulated, and self-advertising or direct promotion of pharmaceutical products is prohibited by applicable laws and regulations. For example, prescription drugs must be recommended and prescribed by healthcare professionals, which restricts our ability to directly influence public perceptions, leaving us more vulnerable to negative information or misconceptions about our products. Any negative reports, whether they target our industry or our company specifically, and whether founded or unfounded, may materially damage our brand, business, and results of operations.

We may also become the subject of heightened regulatory scrutiny and public monitoring, leading to significant costs in addressing these negative reports and ensuring compliance. For example, there have been instances in the pharmaceutical industry where reports of counterfeit or substandard pharmaceuticals have caused a loss of public trust in the safety and efficacy of pharmaceutical products. Although our Group has not experienced any incidents of negative information that had a material adverse impact on our business operations and/or financials, there is no assurance that we will not be affected by such incidents in the future.

Products distributed or sold in the pharmaceutical market may also be prescribed and dispensed off-label. Off-label drug use is prescribing a product for an indication, dosage or in a dosage form that is not in accordance with approved usage and labelling. Even though off-label use is prohibited by applicable law and regulation, and even though we do not promote off-label use, there remains the risk that our product is subject to off-label drug use and is prescribed in a patient population, dosage or dosage form that has not been approved by competent authorities. Off-label use can create negative information and significantly harm our business reputation, product brand name, operations and financial condition.

Negative information generated by complaints or claims, even if unfounded or unsuccessful, may lead to a loss of trust in our products and brand. This loss of trust could result in a significant decline in revenue, market share, and customer confidence, and it may be challenging for us to recover from such an impact.

Illegal and parallel imports and counterfeit pharmaceutical products may reduce demand for our future approved pharmaceutical products, and could have a negative impact on our reputation, business, results of operation and financial condition.

The illegal importation of similar or competing pharmaceutical products from countries or regions where government price controls or other market dynamics result in lower prices may adversely affect the demand for our future approved pharmaceutical products and, in turn, may adversely affect our sales and profitability in the PRC and other countries where we commercialise our products. Illegal imports have occurred and may continue to occur or even increase as the ability of patients and other customers to obtain these lower priced imports continues to grow. Furthermore, cross-border imports from lower-priced markets into higher-priced markets, which are known as parallel imports, could harm sales of our future pharmaceutical products and exert commercial pressure on pricing within one or more markets. In addition, competent government authorities may expand consumers' ability to import lower-priced biopharmaceutical products of our future approved products or competing products from outside the PRC or other countries and regions in which we operate, conduct our clinical trials and perform our contractual obligations. Any future legislation or regulations that increase consumer access to lower-priced pharmaceutical products from other countries in which we operate, conduct our clinical trials and perform our contractual obligations could have a material adverse effect on our business.

Counterfeit pharmaceutical products, which are manufactured without proper licenses or approvals or are fraudulently mislabelled with respect to their contents or manufacturers, pose significant risks to our business and reputation. These counterfeit products often closely resemble our authentic or legitimate pharmaceutical products, but are generally sold at much lower prices. The presence of such

counterfeits in the market can reduce demand for our future approved products, diverting sales away from us.

Moreover, counterfeit pharmaceutical products are unlikely to meet the rigorous manufacturing and testing standards that our products and those of our collaborators adhere to. These inferior or even dangerous products can cause serious health risks to patients, further eroding trust in our brand and damaging our reputation. The ability of other pharmaceutical companies to copy our products through reverse engineering or by replicating the results of our R&D efforts at a lower cost exacerbates this issue. These counterfeit versions, often sold at significant discounts compared to our original products, can dilute the value and image of our brand, leading to a loss of consumer confidence in the safety and efficacy of our legitimate offerings.

The consequences of counterfeiting extend beyond reputational harm. Some consumers who purchase counterfeit products may have otherwise chosen our legitimate products, directly impacting our sales. Additionally, the costs associated with combating counterfeiting and enforcing our intellectual property rights can be substantial, placing further strain on our financial performance. If these counterfeit products continue to proliferate, the combined effects could materially and adversely affect our business, results of operations, financial position and cash flow.

Our Group has put in place adequate measures to mitigate the risk of illegal importation of similar or competing pharmaceutical products and/or counterfeit pharmaceutical products involving the products sold by our Group. In terms of the collaboration framework with our suppliers, the applicable contractual arrangements generally provide for exclusive supply to our Group in the relevant territories prescribed in such agreements. We consistently and closely monitor the market situation and supply channels in the pharmaceutical industry through our commercialisation team covering drug supply chains, pharmacies and e-commerce platforms to observe the appearance of similar or competing pharmaceutical products and/or counterfeit pharmaceutical products involving the products sold by our Group. For similar or competing products, we promptly evaluate their compliance with regulatory requirements in terms of drug registration, approval, import and supply. For suspected counterfeit products involving our products, we can rapidly identify whether they are our products supplied to the market through the established drug traceability code system. Once it has been determined that a particular product is illegally imported or counterfeit, our Group will promptly report the issue to the drug regulatory authorities and follow up on the outcome of the case.

Our Group is subject to risks related to the outbreak of communicable diseases, including the COVID-19 pandemic.

The outbreak of communicable diseases can result in unforeseen and uncontrollable disruptions that may adversely impact our business, financial position and results of operations. For example, the COVID-19 pandemic, which began in December 2019, exemplifies the profound and far-reaching impacts such outbreaks can have, including severe disruptions to global supply chains, reduced consumer demand, and shifts in commercial activities. Such outbreaks, once they occur, can disrupt our manufacturing facilities and supply chains, leading to delays in fulfilling customer orders and impairing our overall business operations. They could also exacerbate other risks described in this Introductory Document, including those related to our level of indebtedness, the need to generate sufficient cash flows to service our debts, and our ability to comply with debt covenants. Despite these challenges, our Group's financial position remains sound with sufficient working capital.

Our historical financial performance and results of operations are not indicative of future performance and we may not be able to implement and maintain the historical income and profit level.

Our historical results and growth may not be representative of our future performance. Our financial performance or results of operations may not meet the expectations of the open market analysts or investors, which may result in a decrease in the future price of our Shares. Our income, expenses and results of operations may change in the future due to various factors beyond our control, such factors including general economic conditions, outbreaks of communicable diseases, or the change in governmental regulations and policies, each of which may affect our operations and/or our ability to control our costs and operational expenses.

We may face challenges in expanding our business and operations internationally and our ability to conduct business in international markets may be adversely affected by legal, regulatory, political and economic risks.

As we continue to focus on our international development strategy for emerging markets, starting with Southeast Asia and continuing with the expansion of our international business to developing countries including the Middle East and North Africa, we face challenges and risks associated with expanding our business and operations globally into new geographic markets. New geographic markets may have competitive conditions, user preferences and regulatory or technological requirements that are more difficult to predict or satisfy than our existing markets. In certain markets, we have relatively little operating experience and may not benefit from any first-to-market advantages or otherwise succeed.

We may also face protectionist policies that could, among other things, hinder our ability to execute our business strategies and put us at a competitive disadvantage relative to domestic companies. Local companies may have a substantial competitive advantage because of their greater understanding of, and focus on, the local users, as well as their more established local brand names, requiring us to build brand awareness in that market. International expansion may also require significant capital investment, which could strain our resources and adversely impact current performance, while adding complexity to our current operations. We are subject to Hong Kong (China) law, Cayman Islands law and PRC law in addition to the laws of the foreign countries in which we operate. If any of our overseas operations, or our associates or agents, violates such laws, we could become subject to sanctions or other penalties, which could negatively affect our reputation, business and operating results.

In addition, as the industry that we operate in has a high barrier of entry, we may face issues that could have a material adverse effect on our reputation, business and results of operations, if we encounter issues including, but not limited to, the following:

- lack of acceptance of our products and services, and challenges of localising our offerings / services to appeal to local demands;
- conforming our products to regulatory requirements;
- failure to attract and retain capable talents with international perspectives who can effectively manage and operate local businesses;
- challenges in identifying appropriate local business partners and establishing and maintaining good working relationships with them;
- availability, reliability and security of international payment systems and logistics infrastructure;
- challenges of maintaining efficient and consolidated internal systems, including technology infrastructure, and of achieving customisation and integration of these systems with the other parts of our technology platform;
- challenges in replicating or adapting our Company policies and procedures to operating environments different from that of our Company's present policies and procedures;
- political, social or economic instability in the jurisdictions that we operate;
- the need for increased resources to manage regulatory compliance across our international businesses;
- compliance with privacy laws and data security laws and compliance costs across different legal systems;
- heightened restrictions and barriers on the transfer of data between different jurisdictions;

- differing, complex and potentially adverse customs, import/export laws, tax rules and regulations or other trade barriers or restrictions related to compliance obligations and consequences of non-compliance, and any new developments in these areas;

- business licensing or certification requirements of the local markets;

- exchange rate fluctuations;

- any regulations or sanctions imposed on our customers; and

- political instability and general economic or political conditions in particular countries or regions, including territorial or trade disputes, war and terrorism.

Failure to manage these risks and challenges could negatively affect our ability to expand our business and operations overseas as well as materially and adversely affect our business, financial condition and results of operations.

We may incur increased costs associated with compliance with laws of the differing jurisdictions in which we operate in, including any variation thereof.

Laws and regulations in other countries vary and change over time. These laws may also be complex or loosely defined, and at times conflicting in nature, intent, or interpretation, in certain countries in which we operate. Many are untested in courts and can have different interpretation and guidance, even from the same regulators, and enforcement of such laws may be inconsistent. An adverse development related to any of the abovementioned factors and other risks associated with international trade may have a material and adverse effect on our business, financial position, results of operations and prospects if our Company is unable to adapt our business strategies or operations accordingly.

Should we be subject to any new or additional tariffs for our products, or if our customers are unwilling to continue to bear such tariffs or additional tariffs, such tariffs may reduce our price competitiveness and negatively impact our sales, financial performance, cash flows and prospects. Any changes in trade policy by any of the world's major trading powers could trigger retaliatory actions by affected countries, resulting in "trade wars" where states increasingly raise or create tariffs.

We maintain business and contractual relationships with customers and suppliers across different jurisdictions. Our contracts with such customers and suppliers may therefore be subject to the laws of the countries where such customers and suppliers are situated within. There is no assurance that the relevant laws, regulations and guidelines in such jurisdictions will not change. In the event that there are any such changes in the relevant laws, regulations and guidelines applicable to our business, such changes in the relevant laws and regulations may impose additional obligations on top of our existing contractual obligations, or modify or change the nature of our contractual obligations with such customers and suppliers. We may also incur additional costs on compliance and obtaining advice on the interpretation of such changes in the relevant laws, regulations and guidelines, and on the possible effects on our contractual relationships with such customers and suppliers in the affected jurisdictions. If we fail to comply with such amended and/or new laws and regulations, our business, results of operations and financial position may be adversely affected.

Confidential information leakage and/or cyber security breach could result in reputational harm and monetary damages.

Our business relies heavily on the value and secrecy of our experience and expertise, knowledge of confidential information and trade secrets, as well as ownership of intellectual property, including our patents, designs and prototypes for our in-house products. Our business also involves the storage and transmission of confidential information, including certain financial, employee and operational information, as well as confidential information obtained from our customers, suppliers and clinical trials. We sign non-disclosure agreements with our existing and potential business partners and our employees to protect confidential information, trade secrets and/or ownership of intellectual property. Security breaches could expose us to unauthorised disclosure of this information, litigation and possible liability, as well as damage to our relationships with our customers, suppliers and collaborators. Moreover, as a leading provider of pharmaceutical products, our business may be exposed to risks of

cybersecurity threats, data privacy breaches as well as other network security and stability risks. The scale and level of sophistication of cyber security threats have increased especially in recent times. Disruptions to our Group's information technology systems caused by cyber-attacks or otherwise could therefore have a material adverse effect on our business, financial position, results of operations and prospects.

Although our security measures are mainly implemented in accordance with ISO 27001 (an international standard for information security management), if our security measures are breached as a result of third-party action, employee or contractor error, malfeasance or otherwise, such unauthorised access to confidential information could damage our business and reputation. In addition, the perpetrators of such illegal activities often are very sophisticated and can hire other parties with significant resources at their disposal. If an actual or perceived security breach occurs, the market perception of our security measures could be harmed and we could lose our customers' confidence in us. Any significant violations of data protection or other security breaches could result in the loss of business, litigation and regulatory investigations and penalties that could damage our reputation and adversely impact our business, results of operations, cash flows and financial position.

Additionally, third parties may attempt to fraudulently induce employees, our customers, our suppliers or third-party providers into disclosing sensitive information such as patient information, customer names, passwords or other information in order to gain access to our data, our customers' data or our patient's information, which could result in significant legal and financial exposure. We may be required to expend significant resources to protect against such threats or to alleviate problems caused by such security breaches.

Whilst we have not encountered any failure to properly safeguard confidential information that had resulted in material reputational harm and monetary damages to our Group during the Period under Review and we generally comply with industry standards and are subject to the terms of our own privacy policies, there is no guarantee that we will not, in the future, encounter any incidents involving leakage of confidential information or breaches of cyber security laws that would have an adverse impact on our business prospects and reputation. Although our Company complies in all material respects with all the applicable laws and regulations in relation to data protection and information security that would materially affect our business operations as of the date of this Introductory Document, compliance with any additional laws that may apply to our Company from time to time could be expensive, and may place restrictions on the conduct of our business and the manner in which we interact with our customers. Any failure to comply with applicable regulations could also result in regulatory enforcement actions against us, and misuse of or failure to secure personal information could also result in violation of data privacy laws and regulations, proceedings against us by governmental entities or others, damage to our reputation and credibility and could have a negative impact on revenues and profits.

Significant capital and other resources may be required to protect against information security breaches or to alleviate problems caused by such breaches or to comply with our privacy policies or privacy-related legal obligations. The resources required may increase over time as the methods used by hackers and others engaged in online criminal activities are increasingly sophisticated and constantly evolving. Any failure or perceived failure by us to prevent information security breaches or to comply with privacy policies or privacy-related legal obligations, or any compromise of security that results in the unauthorised release or transfer of personally identifiable information or other customer or patient data, could cause our customers to lose trust in us and could expose us to legal claims.

Our information systems are protected through physical and software safeguards. They may, however, be subject to disruptions due to storms, floods, fires, terrorist acts, power losses, telecommunications failures, physical or software break-ins, computer viruses and similar events. If our critical information systems fail or are otherwise unavailable, we would have to accomplish these functions manually, which could temporarily impact our ability to identify business opportunities quickly, to maintain records reliably and to bill for products sold and services rendered efficiently. Although our Group has implemented procedures to mitigate technology risk and will continue to take steps to protect the security of the data maintained in our information systems, it is possible that such security measures will not be able to prevent the systems' improper functioning, or the improper disclosure of personally identifiable information such as in the event of cyber-attacks, phishing and malicious software such as ransomware. Security breaches, including physical or electronic break-ins, computer viruses, attacks by hackers and similar breaches, can create system disruptions, shutdowns or unauthorised disclosure

of confidential information. Any failure to maintain proper function, security and availability of our Group's information systems could interrupt our operations, damage our reputation, subject our Group to liability claims or regulatory penalties and could materially and adversely affect our Group. In addition, we depend on third-party vendors or software and operating systems supplied by third-party vendors for certain functions whose future performance and reliability we cannot warrant.

Our business is subject to a variety of laws, regulations, rules, policies and other obligations regarding cybersecurity, privacy, data protection and information security. Any failure to comply with these laws, regulations and other obligations or any losses, unauthorised access or releases of confidential information or personal data could subject us to significant reputational, financial, legal and operational consequences.

We routinely collect and process medical data treatment records of subject participants enrolled in our clinical trials, while ensuring full confidentiality of such information. We are subject to the relevant local, national and international data protection and privacy laws, directives, regulations and standards that apply to the collection, use, retention, protection, disclosure, transfer and other processing of personal data in the various jurisdictions in which we operate and conduct our clinical trials, as well as contractual obligations. These data protection and privacy law regimes may change in the future and may result in strengthened public scrutiny, elevated levels of enforcement and sanctions, and increased costs of compliance. Compliance with applicable laws, regulations, standards and obligations relating to data privacy, security and transfers may cause us to incur substantial operational costs or require us to change our data processing processes. Non-compliance with such laws or regulations could result in enforcement action against us, including fines, imprisonment of our management personnel, public censure, claims for damages by customers and other affected individuals, damage to our reputation and loss of goodwill, any of which could have a material adverse effect on our business, financial condition, results of operations or prospects.

Data protection and privacy laws and regulations generally require clinical trial sponsors, operators and their respective personnel to protect the privacy of their enrolled patients and prohibit unauthorised disclosure of personal information. If such sponsors, operators or personnel divulge patients' private or medical records without their consent, they will be held liable for damage caused thereby. We have taken measures to maintain the confidentiality of the medical records and personal data we collect on patients enrolled in our clinical trials, including the anonymisation of personal information. However, such measures may not be always effective. For example, our information technology systems could be breached through hacking activities, and personal information could be leaked due to theft or misuse of personal information arising from misconduct or negligence. Furthermore, any change in such laws and regulations could affect our ability to use medical data and subject us to liability for the use of such data, which would be otherwise permissible prior to the new legislation becoming effective. Any failure to protect patients' medical records and personal data could have a material adverse effect on our business, financial condition and results of operations.

In addition, our clinical trials frequently involve professionals from third-party institutions who are working on-site with enrolled patients. There can be no assurance that such persons will always comply with applicable data privacy laws and restrictions on the use of genetic information or patients' personally identifiable information. Physicians, CROs, and other entities with whom we do business may be subject to laws or regulations of jurisdictions that restrict the use or disclosure of genetic information or other individually identifiable health information. A third party's failure to comply with those laws may affect our ability to use the individually identifiable health information and other personal information we receive from others. If the past or present operations of these third parties with whom we do business are found to violate applicable laws or regulations, they may be subject to exclusion from government programmes or may be subject to other sanctions, which could also affect our reputation, our ability to apply for government programmes, and our ability to conduct clinical trials. Any curtailment or restructuring of our operations could have a material adverse effect on our business, financial condition and results of operations.

The laws regulating the use of genetic information and patients' personally identifiable information are novel, complex and dynamic. We may not be able to respond to regulatory, legislative and other developments quickly and effectively or as well as our competitors, and these regulatory changes may in turn impair our ability to offer our existing or planned drug candidates or increase our operational costs. In addition, if our practices are not consistent, or deemed as not consistent, with legal and

regulatory requirements, we may become subject to audits, inquiries, whistleblower complaints, adverse media coverage, investigations, loss of export privileges and severe criminal or civil sanctions. Any of the foregoing events could have a material and adverse effect on our competitive position, business, financial condition, results of operations and prospects.

Collection, possession and use of our customers' data in conducting our business may also subject us to legislative and regulatory burdens in various jurisdictions that could require notification of any data breach, restrict our use of such information and hinder our ability to acquire new customers or market to existing customers. If users allege that we have improperly collected, used, transmitted, released or disclosed their personal information, we could face legal claims and reputational damage. We may incur significant expenses to comply with privacy, consumer protection and security standards and protocols imposed by laws, regulations, industry standards or contractual obligations. If third parties improperly obtain and use the personal information of our users, we may be required to expend significant resources to resolve these problems.

There were no such past incidents which had a material adverse impact on our Group's business operations and/or financials, but we cannot assure you that any future occurrence of such events will not have a material adverse effect on our business, financial position and results of operations.

We are exposed to the risk of claims by third parties for infringement of their intellectual property rights, which may be costly or time-consuming.

In the course of our business, we rely on both collaborative and independently developed products. Despite implementing stringent IP protection measures, including regular IP reviews and collaborating with specialised IP law firms, we cannot guarantee that our products, services or technologies will not infringe on the valid patents, trademarks, copyrights, or other intellectual property rights of third parties. This uncertainty arises, in part, due to potential delays in the public disclosure of patents and other external factors.

If third parties successfully claim against us for infringement of their intellectual property rights, or if we seek to avoid or settle potential claims, we may be prohibited from using certain technologies or from developing, marketing or commercialising specific products. In the event of an unfavourable litigation outcome, we may be required to obtain licenses from the intellectual property holders to continue our research, development or commercialisation activities. However, such licenses may not be available on commercially reasonable terms, or at all. Alternatively, we may be required to modify or redesign our products, which could be technically or commercially unfeasible and could result in a loss of product competitiveness, delays, or a complete inability to bring certain products to market.

Any such IP disputes could also lead to significant legal expenses, damage awards, and the imposition of injunctions that restrict our ability to operate. These disputes may also divert substantial time and resources from our management and technical teams, which could materially and adversely affect our competitive position, business operations, and financial condition.

We also engage third parties for the development of our in-house products. Although we incorporate contractual provisions requiring these third parties to ensure that their technologies and processes do not infringe on other third-party IP rights, and we require them to provide appropriate indemnities, we cannot entirely eliminate the risk of infringement claims. If third parties successfully assert such claims, we may seek compensation from our contractors, but we cannot guarantee that we will be able to recover all the losses we may incur. Moreover, we may be prohibited from continuing to use the disputed IP, technology or selling related products, which could materially and adversely affect our business and financial condition.

While we have not encountered any material adverse impact on our business, results of operations, financial position and cash flow due to claims that our products infringe third-party intellectual property rights, we cannot assure you that any future occurrence of such events will not have a material adverse effect on our business, financial position and results of operations.

We may be subjected to infringement of our intellectual property rights.

In the course of our business, we rely on certain intellectual property rights such as patents and trademarks, details of which are set out in the section entitled "*Business – Intellectual Property*" of this Introductory Document. Our success depends, in part, on our ability to obtain, maintain and defend our intellectual property rights, which we believe are critical to our business.

However, the measures we have implemented to protect our intellectual property rights may be inadequate for several reasons, some of which are beyond our control, including cases where intellectual property right is owned or managed by third-party collaborators.

The protection of patents varies across different jurisdictions, and the technologies and processes covered by our patents may be deemed obvious or lacking in inventiveness, potentially resulting in partial or complete invalidation of those patents. We cannot guarantee that our patents will be upheld as valid or sufficiently broad to protect our technology or provide a competitive advantage. The scope of patent protection is subject to judicial interpretation, which may be inconsistent and unpredictable. Furthermore, the patent application and prosecution process is costly, time-consuming and complex. Standards for patent examination differ across jurisdictions, and we cannot guarantee that our pending patent applications will be granted or that the scope of any granted patents will meet our expectations. The scope of patents may be narrowed during the application process, and after grant, the interpretation of their scope may change. We may not be able to file, prosecute, maintain, enforce or license necessary patents in all desired jurisdictions at a reasonable cost, in a timely manner, or at all, which may hinder our ability to prevent competitors from developing and commercialising competing products.

Our registered or unregistered trademarks and trade names may be challenged, infringed, circumvented or declared generic. We may not be able to enforce our rights to these trademarks and trade names, and establishing brand recognition in new markets may take time. Defending our trademarks from infringement or misappropriation can be difficult and costly. If we fail to establish or protect our brand, it could weaken our competitive position, which may materially and adversely affect our business, financial condition, and results of operations.

Additionally, some of our in-licensed products rely on intellectual property rights licensed or transferred from third parties. In these cases, we may not hold full intellectual property rights. This means that, for certain of our products, we may have either only acquired distribution rights to the product where the trademarks and patents of the relevant product have been licensed to us, or we may have obtained ownership rights, but only with respect to certain but not all territories where the product has been approved for entering the market. If infringements arise, the intellectual property owners may not take timely or sufficient actions to address them, leading to a decline in the competitiveness of our in-licensed products. Even if we eventually obtain ownership of these intellectual property rights, their validity may be short-lived and once such key patents expire, we may face competition from generic or similar products, and competitors may challenge the scope, validity or enforceability of our remaining patents which are closely linked to such key patents. If we are unable to successfully defend or enforce our intellectual property rights, we may lose the exclusive right to develop and commercialise certain products, which could significantly affect our future sales, business and results of operation.

We may be affected by the cost and impact of future disputes and/or litigation.

Save as disclosed in the section entitled "*General and Statutory Information – Material Litigation*" of this Introductory Document, we are not currently engaged in any material disputes or subject to any material litigation. However, we may, from time to time, be involved in litigation in the course of our business and in the event of disputes of, *inter alia*, any successful product liability claim or series of claims brought against us, we may become involved in disputes and litigation in the future. Managing disputes and/or litigation can be expensive and disruptive to normal business operations, including to management due to the increased time and resources required to respond to and address any dispute and/or litigation. An unfavourable outcome of any particular matter or any future legal proceedings or costs related to the settlement of any such proceedings could have a material adverse effect on our business, financial position and results of operations.

Our insurance coverage may not be adequate to indemnify us against all possible liabilities.

We are exposed to various risks arising from our business operations, including without limitation, the risks of explosions, fires, natural disasters, machinery or equipment failures, improper installations and accidents. These risks could cause injury, death or damage or destruction to property, which may result in our operations being suspended or disrupted. We may also face civil and/or criminal penalties arising from any such incidents.

We maintain insurance coverage that is necessary for the businesses of our size and scope in which we operate, and to the extent insurance is available on reasonable terms. Please refer to the section entitled "*Business – Insurance*" of this Introductory Document for further details of our existing insurance coverage. However, there can be no assurance that such insurance can continue to be obtained on commercially reasonable terms or at all, or that any such coverage will sufficiently cover any losses suffered by us. We do not maintain an expansive insurance policy which covers all losses, as the costs of obtaining and maintaining insurance coverage for such events may not be practical for our operations.

While we believe that we have adequately insured our business and operations, and in amounts that are commercially appropriate levels, we may still be subject to liabilities for events that we are not fully insured, in excess of, or cannot obtain insurance on terms acceptable to us, which could result in our Group having to pay compensation or damages and/or incur loss of revenue and could have a material adverse effect on our financial position and results of operations. Such events may include, but are not limited to, product liability claims (as discussed above), regulatory actions, natural disasters, fires, pandemics and other public health crises, as well as acts of terrorism. Additionally, certain losses, such as those involving damage to our reputation, may not be easily quantifiable and may not be covered by our insurance policies.

Even in cases where our insurance policies provide coverage, recovering losses from insurers may be challenging and time-consuming. Moreover, we may not be able to recover the full amount of losses incurred, especially if the claims exceed the limits of our insurance coverage. If we are held liable for uninsured losses or if the amounts claimed exceed our insurance coverage limits, our business, financial performance, prospects, and results of operations could be materially and adversely affected.

We are dependent on the services of our Executive Directors and Executive Officers.

One of the key drivers for the growth of our Group to date has been our ability to attract and retain a team of experienced professional managers including our Executive Directors and Executive Officers. See the section entitled "*Management and Corporate Governance – Directors and Executive Officers*" of this Introductory Document for further details. The in-depth knowledge, relevant experience and commitment of our key management and executives are instrumental to our development and growth. Consequently, our continued and future success will depend on our ability to retain our Executive Directors and Executive Officers and to attract and train new managers as well as experienced and qualified pharmaceutical-related professionals to work for our Group. As such, any loss of our senior management team without satisfactory replacements will have an adverse impact on our business. In addition, the process of hiring new managers with the required combination of skills and attributes may be time-consuming and competitive. There is keen competition for experienced management and executives in the pharmaceutical industry in the jurisdictions in which we operate, and the pool of qualified candidates is limited. We may face challenges in retaining our key management and executives, and there is no guarantee that we will be able to attract and retain high-quality key management and executives in the future. Such competition may also require us to pay higher wages to attract and retain sufficient and capable management and executives with appropriate experience. If we are unable to attract additional qualified persons or secure suitable replacements, or if we incur higher employee benefit expenses, our business, financial performance and condition, prospects and results of operations may be adversely affected.

If our key management and executives fail to cooperate with each other successfully, or if any of our key management and executives fails to effectively implement our business strategies, we may not be able to achieve business growth at the speed or in the manner we expect. In addition, if any member of our key management and executives joins a competitor or forms a competing business, it may result in a leakage of business secrets and technical know-how. While we have put in place provisions in the

service agreements with our Executive Directors and Executive Officers relating to non-competition and confidentiality restrictions, we cannot assure you that such non-competition and confidentiality restrictions will always be held to be enforceable by a court, or that the departure of any of our key management and executives will not cause disruption to our operations, or materially and adversely impact our business, results of operations and prospects. If we cannot attract, retain and motivate our key management and executives, our reputation may be damaged and it may lead to a loss in our businesses.

We are affected by risks relating to financing and debt obligations.

Our Group's business operations and expansion plans are capital intensive and may require substantial financing to support future growth. During the Period under Review, we have relied on a combination of internal resources, bank borrowings, and financing from other financial institutions to fund our working capital and capital expenditures. While we have been able to secure financing in the past, there is no assurance that we will continue to obtain such funding in the future. If we are unable to obtain the necessary financing or do not generate sufficient cash flow to meet our business and capital requirements, our financial position, results of operations, cash flows and prospects may be materially and adversely affected.

To pursue future growth opportunities, we may need to raise additional capital through debt or equity financing. Our ability to raise capital will depend on factors such as prevailing global economic conditions, our financial performance, market conditions, government regulations, and the terms offered by potential lenders or investors. There is no guarantee that we will be able to secure additional financing on terms that are favourable to us, or at all. Failure to obtain necessary financing could restrict our ability to pursue new opportunities, which may materially and adversely affect our business, prospects and financial condition. If we raise funds through the issuance of additional equity or debt, our current Shareholders may also be diluted, and holders of debt or preferred shares may have rights and preferences senior to the Shares, particularly in the event of liquidation. Issuing additional debt may also impose restrictive covenants on our operations, potentially limiting our ability to incur further debt, pay dividends, make acquisitions, or undertake certain business activities without lender consent. Furthermore, these covenants may require us to meet certain financial ratios or other criteria, which may be influenced by factors beyond our control. Failure to meet these requirements could limit our operational flexibility and adversely affect our business and prospects.

Additionally, we are exposed to risks associated with our existing debt obligations. As of 31 December 2024, we had total borrowings of RMB831.3 million. We also face the risk that financial institutions may terminate our existing borrowings upon the occurrence of certain events, such as breaches of covenants or failure to meet interest payment obligations. If we are unable to refinance or roll over existing loans on favourable terms, or at all, this may adversely affect the business, results of operations, financial condition and prospects of our Group.

Moreover, our loan agreements contain restrictive covenants that limit our financial and operational flexibility, including restrictions on dividend payments and the creation of encumbrances on assets. A breach of any of these covenants could trigger an event of default, potentially requiring immediate repayment of outstanding loans, which would adversely affect our cash flow and liquidity and consequently, our business operations may be adversely affected. While we have not experienced any material adverse impact from breaches of loan covenants to date, there is no assurance that similar issues will not arise in the future. There have been no incidents of loan covenant breaches that had a material adverse impact on our Group's business operations and/or financials, but we cannot assure you that any future occurrence of such events will not have a material adverse effect on our business, financial position and results of operations.

We are or may be subject to risks associated with strategic alliances or acquisitions.

We have entered into and may in the future enter into strategic alliances, including joint ventures or minority equity investments, with various third parties to further our business purpose from time to time. These alliances could subject us to a number of risks, including risks associated with sharing proprietary information, non-performance by the third party and increased expenses in establishing new strategic alliances, any of which may materially and adversely affect our business. We may have limited ability to monitor or control the actions of these third parties and, to the extent any of these strategic third

parties suffer negative information or harm to their reputation from events relating to their business, we may also suffer negative information or harm to our reputation by virtue of our association with any such third party.

In addition, we may acquire additional assets, products, technologies or businesses that are complementary to our existing business. In addition to possible shareholder approval, we may have to obtain approvals and licences from relevant government authorities for the acquisitions and to comply with any applicable laws and regulations, which could result in increased delay and costs, and may derail our business strategy if we fail to do so. Furthermore, past and future acquisitions and the subsequent integration of new assets and businesses into our own require significant attention from our management and could result in a diversion of resources from our existing business, which in turn could have an adverse effect on our operations. Acquired assets or businesses may not generate the financial results we expect. Acquisitions could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities, the occurrence of significant goodwill impairment charges, amortisation expenses for other intangible assets and exposure to potential unknown liabilities of the acquired business. Moreover, the costs of identifying and consummating acquisitions may be significant.

In the event of a future acquisition of our Company or our Group by another entity, there are risks that the new ownership or management could significantly alter our business plans, corporate culture or operational focus, or cause uncertainty and distractions among employees, customers, and business partners, which could adversely affect our business, financial condition and results of operations. Regulatory approval processes and compliance with laws relating to such transactions may also cause delays and increased costs.

Our business, financial condition and results of operations may be adversely affected by fluctuations in exchange rates and foreign exchange controls.

Our Group's revenue and expenses, assets and liabilities are mainly denominated in RMB. As at 31 December 2024, our Group had no outstanding foreign exchange forward contracts. As at 31 December 2023, our Group had outstanding non-deliverable foreign currency option contracts in respect of HK$ with notional amounts of HK$750 million. As at 31 December 2022, our Group had non-deliverable foreign currency option contracts in respect of US$ and HK$ with notional amount of US$72 million and HK$1,435 million, respectively.

As at 31 December 2024, our Group's cash and bank balances were mainly denominated in RMB, US$ and EUR while our Group's bank borrowings were mainly denominated in HK$ and RMB.

As a result, fluctuations in the exchange rates between the US$, EUR, HK$ or other currencies could adversely affect our business, financial condition and results of operations.

In addition, the conversion of Renminbi into foreign currencies is subject to applicable laws and regulations in the PRC from time to time. FIEs are required to complete the foreign exchange registration through a designated bank of SAFE, which allows an FIE to open foreign currency accounts for the payment of (a) current items, including any international receipts and payments involving goods, services, earnings, and frequent transfers ("**current account**") and (b) capital items, including any international receipts and payments that result in any change in external assets and liabilities, for instance, capital transfers, direct investments, securities investments, derivatives, and loans ("**capital account**").

Under existing PRC foreign exchange regulations, currency transactions within the scope of the current account, including profit distributions, interest payments and expenditures from trade-related transactions, can be effected without requiring the approval of the SAFE by complying with certain procedural requirements, however, payments under the capital account will require the approval of or registration with the SAFE or its local branch or its designated banks. The restrictions on foreign exchange transactions under capital account could also affect the ability of our PRC subsidiaries to obtain foreign exchange through debt or equity financing, including by means of loans or capital contribution from us.

We primarily mitigate foreign exchange risks by managing foreign exchange income and expenses in the same currency (natural hedge) as our labour cost and certain purchases of in-licensed products

and raw materials are mainly transacted in RMB and more than 99.6% of our revenue were transacted in RMB during the Period under Review. However, for certain transactions with our overseas suppliers, where payments are made in either US Dollars or Euro, we have agreements in place with most of these suppliers to share foreign exchange gains and losses. Specifically, these suppliers have agreed to compensate a certain portion of our foreign exchange loss due to certain movements in the value of RMB from the specified foreign exchange rate exceeding stipulated thresholds. In exchange, we are obliged to share a portion of our foreign exchange gains if Renminbi appreciates against the relevant foreign currency. In addition, we also occasionally enter into hedging instruments to manage our residual foreign exchange risks. Our Group will continue to closely monitor the fluctuation of exchange rate in other currencies as well and will consider hedging such foreign currencies should the need arise.

Our business may be negatively impacted by natural disasters, acts of war, terrorist attacks, political unrest and other events.

Our Group's business and operations may be materially and adversely affected by events beyond the control of our Group, including but not limited to natural catastrophes, political unrest, war and terrorist attacks. Natural catastrophes such as the outbreak of fire, flood, typhoon and earthquake may materially and adversely affect the economy, infrastructure and livelihood of the geographical locations in which our Group may operate. There can be no assurance that any war, terrorist attack, political unrest, or other hostilities in any part of the world, potential, threatened or otherwise, will not, directly or indirectly, have a material and adverse effect on our Group's business, results of operations, financial position and cash flow.

Our Company may be adversely affected by the uncertain global economic outlook.

Our Group's business, financial condition, results of operations, profitability and prospects may be affected by general global economic conditions. In Asia and other emerging markets, some countries are expecting increasing inflationary pressure due to liberal monetary policies, supply chain disruptions and fluctuations in foreign investment flows. Additionally, geopolitical tensions, such as the ongoing effects of Brexit, have contributed to volatility in global financial markets and continue to create economic uncertainty in the United Kingdom, the European Union, and beyond. In addition, geo-political issues and controversy over trade barriers have triggered the implementation or proposed implementation of tariffs on certain imported products into the different nations. Fast changing trade policies could significantly undermine the stability of the global economies. The evolving macroeconomic environment, including potential recessions, rising interest rates, and global supply chain challenges, may further impact our business operations and financial performance.

The COVID-19 pandemic, which occurred in December 2019, has had a significant and lasting impact on the global financial, foreign exchange, commodity and energy markets. While the immediate crisis has subsided in many regions, the pandemic continues to affect global supply chains, consumption patterns, commercial activities and industrial production, directly and indirectly, to varying extents. These disruptions have contributed to economic slowdowns in various economies and have the potential to trigger a global recession if such conditions persist. In response to rising inflation, central banks of different countries, including the Federal Reserve Board of Governors of the United States, raised interest rates as part of monetary tightening policies. While these measures are intended to control inflation, they also pose risks to economic growth and could lead to continued market volatility and economic uncertainty.

Uncertainty in the global economic recovery has escalated fears and increased uncertainties in the global markets. It is difficult to predict how long such a situation will last and how our markets and businesses may be affected. Accordingly, these situations could potentially present risks to our Group, including an increase in interest expenses on our bank borrowings or a reduction of the amount of banking facilities currently available to us, thereby materially and adversely affecting our business operations and future financial performance. Given the uncertainties as to the future economic outlook, we cannot give any assurance that we will be able to maintain or continue to grow our revenue and profits, or that we will be able to react promptly to any change in economic conditions. In the event that we fail to react promptly to the changing economic conditions, our performance and profitability could be adversely affected.

RISKS RELATING TO DOING BUSINESS IN CHINA

We may face pressure to lower the prices of our products in order to qualify for medical insurance reimbursement or due to market competition.

For our future approved drug candidates, we may need to reduce prices to ensure their inclusion in medical insurance reimbursement lists. However, such price reductions and reimbursement eligibility do not necessarily guarantee increased sales. It is difficult to estimate the net effect of decreased prices and potential sales increases on our profitability, and our profits from the sales of future products may decrease if we significantly lower prices without a corresponding increase in sales volume.

In addition, it is common for the prices of pharmaceutical products to decline over the product's lifecycle due to factors such as increased competition from substitute products, the tender process by hospitals or government authorities, pricing policies of relevant government authorities, or voluntary price adjustments by pharmaceutical companies. Any strategic downward price adjustments of our existing or future approved products in response to market competition could have a materially adverse effect on our business and results of operations.

Changes in government regulations or practices related to the healthcare industry, including healthcare reform and compliance with new regulations, may result in additional costs.

Policies set by the NMPA and other regulatory authorities may change, or additional government regulations may be enacted, that could prevent, limit or delay regulatory approval of our drug candidates, restrict or regulate post-approval activities, and affect our profitability. The likelihood, nature or extent of governmental policies or regulations arising from future legislation or administrative actions in the PRC or abroad are difficult to predict. For example, if changes to regulatory requirements and guidance necessitate substantial amendments to our clinical trial protocols, we may face increased costs or may be unable to complete clinical trials in a timely manner, or at all. Changes in government regulations relating to pharmaceutical product registrations and approvals, such as a relaxation in regulatory requirements or the introduction of simplified approval procedures, could lower the barriers to entry for potential competitors, while increased regulatory requirements could make it more challenging to meet those requirements.

In recent years, there have been, and likely will continue to be, efforts to enact administrative or legislative measures that include more rigorous coverage criteria, which may result in downward pressure on the prices of our products. Furthermore, any changes in laws and regulations concerning the collection and transfer of personal data in the PRC, including the PRC Personal Information Protection Law and the Administrative Regulations on Human Genetic Resources of the PRC (《中华人民共和国人类遗传资源管理条例》), could affect our ability to use medical data and subject us to liability for the use of such data for previously permitted purposes.

The PRC government or other authorities in jurisdictions where we plan to sell our products could adopt new or different regulations with respect to the sale of pharmaceutical products to address concerns such as bribery, corruption, or other issues. Such new or different regulations could result in increased costs incurred for us, our employees, or our distributors in selling our products, or impose restrictions on sales and marketing activities, which could, in turn, increase our operating costs.

Changes in economic, social and political policies of the PRC government may have a material adverse effect on our business.

Our business in the PRC is carried out through our PRC subsidiaries. For FY2022, FY2023 and FY2024, 99.6%, 99.7% and 99.7% of our Group's total revenue was derived from the PRC market respectively. Our Directors anticipate that the PRC will continue to be a significant sales and production base of our Group in the near future. Our Group is therefore influenced by economic, social, political and legal developments in the PRC, including the level of development, growth rate, foreign exchange regulations, capital reinvestment, allocation of resources, rate of inflation and trade balance position.

Before commencement of the reform and opening-up policy in 1978, the PRC mainly operated under a planned economy. Since then, the PRC government has been unremittingly reforming the PRC's economic system and has also begun to reform the government structure in recent years. These

reforms have brought about significant economic growth and social progress. The economic reforms policies, since the late 1970s, have constantly emphasised the role of autonomous enterprises and market mechanisms, especially in our industry. While we believe that such reforms will have a positive impact on our overall and long-term development, we cannot predict whether our future business, results of operations, or financial position will be subject to any adverse impact arising from changes in the PRC's political, economic, and social conditions, laws, regulations, and policies.

Our ability to continue expanding our business depends on a number of factors, including the overall economic and capital market conditions, and the availability of credit to banks and other borrowers. More stringent borrowing policies may, amongst other things, affect our ability to secure financing, which may adversely affect our growth and financial position. We cannot guarantee that further measures to adjust the growth of borrowing will not be implemented in a way that can adversely affect our development and profitability over time.

China's economy has grown significantly in the past few decades. However, there is no guarantee that its growth in the future will be maintained at a similar rate, or whether it will continue to grow. The policies of the PRC government may have a material and adverse effect on our products, our business, financial condition, results of operations and prospects.

PRC foreign exchange regulations may affect our ability to receive dividends and other payments from our PRC subsidiaries, and to utilise our revenues effectively.

The conversion of Renminbi into foreign currencies is subject to applicable laws and regulations in the PRC. We receive a significant portion of our revenues in RMB, and our income at the holding company level may be partially derived from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient amounts of foreign currency to pay dividends, make other payments to us, or otherwise to satisfy their foreign currency denominated obligations.

Increases in labour costs and enforcement of stricter labour laws and regulations in the PRC may adversely affect our business and our profitability.

The average wage in China has increased in recent years with the growth in China's overall economy. The average wage level for our employees has also increased in recent years. We expect that our labour costs, including wages and employee benefits, will increase. Unless we are able to pass on these increased labour costs to our customers, our profitability and results of operations may be materially and adversely affected.

In addition, we have been subject to stricter regulatory requirements in terms of entering into labour contracts with our employees, limitation with respect to utilisation of labour dispatching, applying for foreigner work permits, labour protection and labour condition and paying various statutory employee benefits, including pensions, housing fund, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance to designated government agencies for the benefit of our employees. Pursuant to the PRC Labour Contract Law and its implementation rules, employers are subject to stricter requirements in terms of signing labour contracts, minimum wages, paying remuneration, determining the term of employee's probation and unilaterally terminating labour contracts. In the event that we decide to terminate some of our employees or otherwise change our employment or labour practices, the PRC Labour Contract Law and its implementation rules may limit our ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations.

Pursuant to PRC laws and regulations, we are required to participate in the employee social welfare plan administered by local governments. Such plan consists of pension insurance, medical insurance, work related injury insurance, maternity insurance, unemployment insurance and housing provident fund. Please see the section entitled "*Regulations – The PRC – Regulations on Employment and Social Welfare – Social Insurance and Housing Fund*". The amount we are required to contribute for each of our employees under such plan is calculated based on the employee's actual salary level from the previous year, and is subject to a minimum and maximum level as prescribed by local authorities from time to time. However, for each of FY2022, FY2023 and FY2024 during the Period under Review, certain PRC Principal Subsidiaries failed to pay social insurance and housing provident fund in full for

a small number of our employees based on their actual salary levels. Despite our Group's efforts, it was unable to make full contributions of social insurance and housing provident fund for all its employees during the Period under Review because some of its employees were unwilling for our Company to pay full social insurance and housing provident fund to them as their net salaries would be reduced as a result.

As of February 2025, all of the PRC Principal Subsidiaries have ceased such underpayment. Our Group has also implemented the following measures in order to prevent a recurrence of such incidents:

- our Group is actively communicating with its employees to seek their understanding and cooperation in complying with the applicable payment base, which also requires additional contributions from its employees;

- our Group will keep abreast of latest developments in PRC laws and regulations and latest requirements from the local authorities in relation to social insurance and housing provident funds; and

- our Group will consult its PRC legal counsel on a regular basis for advice on relevant PRC laws and regulations to remain informed about regulatory changes.

During the Period Under Review, the estimated shortfalls of social insurance and housing provident fund contributions for FY2022, FY2023 and FY2024 for our Company's PRC Principal Subsidiaries amounted to RMB3.6 million, RMB3.8 million and RMB1.7 million.

As a result, we may be required by competent authorities to pay the outstanding amounts, and could be subject to late payment penalties or enforcement applications made to the courts. As advised by our PRC Legal Adviser, if we are so required by the competent authorities to pay the outstanding amount of the social insurance contributions, we would, in addition, be required to pay an overdue fine on such outstanding amount (calculated at 0.05% per day from the date when the payment of such outstanding amount is due) within a prescribed time limit. Thereafter, if we fail to pay such outstanding amount and overdue fine within the prescribed time limit, we would be further subject to a fine equivalent to one to three times of such outstanding amount. In addition, if we fail to pay the housing provident fund within the prescribed time limit, we could be subject to compulsory enforcement from the courts if the payment is not made within the time limit prescribed by the competent authorities.

Taking into account the relevant regulatory policies, our PRC Legal Adviser is of the opinion that the risk that we will be required to pay any material outstanding amount of social insurance and housing provident fund contributions and/or be subjected to material administrative penalties is relatively low, for the following reasons:

- Based on the public credit information reports or compliance certificates issued by the local authorities for the relevant PRC Principal Subsidiaries and the public searches conducted by our PRC Legal Adviser, during the Period under Review and as of the Latest Practicable Date, none of these PRC Principal Subsidiaries was subject to any administrative penalty related to human resources and social insurance or housing provident fund, for violations of the PRC laws regarding labour protection or housing provident fund.

- According to the Urgent Notice of the General Office of the Ministry of Human Resources and Social Security on Implementing the Guidelines of the Executive Meeting of the State Council to Effectively Doing a Good Job in Stabilising the Collection of Social Insurance Premiums (人力资源社会保障部办公厅关于贯彻落实国务院常务会议精神切实做好稳定社保费征收工作的紧急通知), it is prohibited to organise, without permission, the centralised payment collections for the previously owned fees by enterprises. Furthermore, the Notice of the General Office of the State Council on Promulgation of the Comprehensive Plan for the Reduction of Social Insurance Premium Rates (国务院办公厅关于印发《降低社会保险费率综合方案》的通知) stipulates that it is not allowed to settle the historical arrears of enterprises in a centralised manner without authorisation.

- Our PRC Legal Adviser has consulted certain local branches of social insurance or housing provident fund authorities, who have provided positive feedback, indicating they will not actively verify the payment status of the enterprise unless they received any complaints about the social insurance and housing provident fund payments.

- As of the Latest Practicable Date, no competent government authorities had imposed any material administrative action, fine or penalty on us nor had any competent government authorities required us to settle any material outstanding amount of social insurance payments and housing provident fund contributions with respect to this non-compliance incident, nor is our Group aware of any complaints with respect to this non-compliance incident filed by our current employees to the competent government authorities.

Our Directors accept the assessment of our PRC Legal Adviser as set out above, and are of the view that the risk that we will be required to pay any material outstanding amount of social insurance and housing provident fund contributions and/or be subjected to material administrative penalties is relatively low, as such the likelihood of a material adverse impact on our businesses, performance, prospects, financial condition and results of operations is low. Our Group has confirmed that in the event we are formally directed by the competent government authorities to settle any outstanding amount of social insurance payments and housing provident fund contributions, we will make sure to comply with such direction by making payment in full within the designated time period, at the earliest opportunity.

In addition, during the Period under Review, we engaged third-party human resource agencies to make, for and on our behalf, contributions to social insurance and housing provident funds (the "**Social Insurance and Housing Provident Contributions**") for some employees (the "**3rd Party HR Arrangements**") who work in cities where we did not have legal entities to pay Social Insurance and Housing Provident Contributions for them locally. The primary reasons why our Group engage human resource agencies to make contributions on our behalf are that: (i) contributions need to be made locally in order for our employees to qualify for various local policies; and (ii) our Group benefits from the geographical coverage and expertise provided by the third-party human resources agencies to ensure contributions are managed effectively across multiple cities. To the best of our knowledge, during the Period under Review, none of the third-party human resource agencies that our Company engaged with had failed to pay, or delayed in paying, any Social Insurance and Housing Provident Contribution for these employees, and we have not received any inquiry from relevant government authorities in this regard. The estimated quantum of Social Insurance and Housing Provident Contributions under the 3rd Party HR Arrangements among PRC Principal Subsidiaries during the Period under Review were RMB207.1 million, RMB226.3 million and RMB228.0 million for FY2022, FY2023 and FY2024.

Although not uncommon in the PRC and the third-party human resource agencies have paid our employees, the relevant government authorities may determine that such 3rd Party HR Arrangements do not satisfy the requirements under the relevant PRC laws and regulations. Thus, we may be subject to additional contributions, late payment fees and/or penalties, the amount of which is not quantifiable as existing PRC laws and regulations do not expressly stipulate the penalties for such a situation.

As of the Latest Practicable Date, no competent authorities had imposed any administrative action, fine or penalty to us with respect to the 3rd Party HR Arrangements nor had any competent authorities required us to settle any amount of the Social Insurance and Housing Provident Contributions again.

Taking into account the relevant regulatory policies and the above facts, our PRC Legal Adviser is of the opinion that the risk that we will be required to pay the full amount of social insurance contributions again (arising from the 3rd Party HR Arrangements) and/or be subject to material administrative penalties is relatively low.

Our Directors accept the assessment of our PRC Legal Adviser of the matter as set out above, and are of the view that that the risk that we will be required to pay the full amount of social insurance contributions again (arising from the 3rd Party HR Arrangements) and/or be subject to material administrative penalties is relatively low, as such the likelihood of a material adverse impact on our businesses, performance, prospects, financial condition and results of operations is low. Our Group has also confirmed that in the event we are formally directed by the competent government authorities to

pay the full amount of social insurance contributions again (arising from the 3rd Party HR Arrangements), we will make sure to comply with such direction by making payment in full within the designated time period, at the earliest opportunity. For future arrangements, our Group will continue to keep abreast of latest developments in PRC laws and regulations and latest requirements from the local authorities and consult our PRC legal counsel on a regular basis for advice on relevant PRC laws and regulations to formulate an informed decision in relation to 3rd Party HR Arrangements.

In addition, as the interpretation and implementation of labour-related laws and regulations are still evolving, our employment practices may violate labour-related laws and regulations in China, which may subject us to labour disputes or government investigations. We cannot assure you that we have complied or will be able to comply with all labour-related law and regulations including those relating to other obligations to make social insurance payments and contribute to the housing provident funds. If we are deemed to have violated relevant labour laws and regulations, we could be required to provide additional compensation to our employees, which could adversely affect our business, financial condition and results of operations. While we believe the risk of non-compliance is relatively low and manageable, we cannot guarantee that such non-compliance will not occur in the future. Any failure to comply with relevant labour laws could result in legal liabilities, financial penalties and reputational harm, all of which could adversely affect our business and financial condition.

China's M&A Rules and certain other PRC regulations establish procedures for certain acquisitions of PRC companies by foreign investors, which could make it difficult for us to pursue growth through acquisitions in China.

A number of PRC laws and regulations have established procedures and requirements that could make merger and acquisition activities in China by foreign investors more time-consuming and complex. For instance, the Anti-Monopoly Law, promulgated by the SCNPC on 30 August 2007, amended on 24 June 2022, and became effective on 1 August 2022, requires when a concentration of business operators occurs by way of "merger of business operators", "acquiring control over other business operators by virtue of acquiring their equities or assets", "acquiring control over other business operators or possibility of exercising decisive influence on other business operators by virtue of contract or any other means", and such concentration reaches certain thresholds, the business operators should lodge a declaration in advance with the SAMR, otherwise the concentration may not be implemented.

In addition to the Anti-Monopoly Law, there are other laws and regulations, such as the Security Review Measures, adopted by the NDRC and the MOFCOM in 2020. The Security Review Measures specify that foreign investment that has or possibly has an impact on state security shall be subject to security review by the NDRC and the MOFCOM. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the relevant regulations to complete such transactions could be time-consuming, and any required approval processes, including approval from SAMR, the NDRC, and the MOFCOM, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

The interpretation and enforcement of PRC laws shall be in accordance with laws and regulations for the time being in force. Any non-compliance with laws and regulations may have a material adverse impact on us and limit the legal protection you can obtain.

We mainly conduct our businesses and operations in the PRC, where we are regulated by the PRC laws, rules and regulations. In addition, our overseas holding companies and certain transactions among these companies may be subject to the restriction of various laws and regulations in the PRC. The legal system in the PRC is based on written regulations and judicial interpretation. While references to previous court decisions can be cited, the PRC does not adopt the common law system and hence, the precedent value of case law is limited.

Since the late 1970s, the PRC government has greatly improved the PRC laws and regulations in order to protect and facilitate various forms of foreign investment. Since most of these laws, rules and regulations are relatively new and court decisions are limited, the interpretation and enforcement of these laws, rules and regulations are subject to the laws and regulations for the time being in force. Any non-compliance with these laws and regulations may have a material adverse impact on us and limit the legal protections available to you and us. This may result in tremendous costs to be involved and divert management's resources and attention.

PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental regulation of currency conversion may delay or prevent us from using the proceeds of any offshore equity offerings subsequent to the Introduction to make loans to or make additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

Under PRC laws and regulations, we are permitted to utilise the proceeds of any financing outside China to fund our PRC subsidiaries by making loans to or additional capital contributions to our PRC subsidiaries, subject to applicable government registration, statutory limitations on amount and approval requirements. For more details, see the section entitled "*Regulations — The PRC – Regulations on Foreign Exchange*" of this Introductory Document. These PRC laws and regulations may limit our ability to use Renminbi converted from the net proceeds of any financing outside China to fund the establishment of new entities in China by our PRC subsidiaries, to invest in or acquire any other PRC companies through our PRC subsidiaries, or to establish new variable interest entities in China. Moreover, we cannot assure you that we will be able to complete the necessary registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans to our PRC subsidiaries or future capital contributions by us to our PRC subsidiaries. If we fail to complete such registrations or obtain such approvals, our ability to use the proceeds we received or expect to receive from our offshore offerings and to capitalise or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

On 26 December 2017, the NDRC issued the Order 11. On 11 February 2018, the Catalogue on Overseas Investment in Sensitive Industries (2018 Edition)（《境外投资敏感行业目录（2018年版）》), or the Sensitive Industries List, was promulgated. Overseas investments governed by Order 11 refers to the investment activities conducted by an enterprise located in the territory of China either directly or via an overseas enterprise under its control through making investment with assets and equities or providing financing or guarantees in order to obtain overseas ownership, control, management rights and other related interests, and overseas investment by a PRC individual through overseas enterprises under his/her control is also subject to Order 11. According to Order 11, before being conducted, any overseas investment in a sensitive industry or any direct investment by a Chinese enterprise in a non-sensitive industry but with an investment amount over US$300 million requires approval from, or filing to be made with, the NDRC, and for those non-sensitive investments indirectly by Chinese investors (including PRC individuals) with investment amounts over US$300 million need to be reported. Pursuant to the Catalogue of Sensitive Sectors for Outbound Investment (2018 Edition), promulgated by the NDRC on 31 January 2018, which became effective on 1 March 2018, as of the date of this Introductory Document, our Group's industry is not currently included in the catalogue of sensitive sectors. We are unable to definitively determine at present whether our use of proceeds received from equity offerings conducted subsequent to the Introduction will be subject to Order 11. If we fail to obtain the approval, complete the filing or report our overseas investment with our proceeds (as the case may be) in a timely manner provided that Order 11 is applicable, we may be forced to suspend or cease our investment, or be subject to penalties or other liabilities, which could materially and adversely affect our business, financial condition and prospects.

PRC regulations relating to offshore investment activities by PRC residents may limit our PRC subsidiaries' ability to increase their registered capital or distribute profits to us or otherwise expose us or our PRC resident beneficial owners to liability and penalties under PRC law.

The SAFE requires PRC residents or entities to register with the SAFE or its local branch in connection with their investment, establishment or control of an offshore entity established for the purpose of overseas investment or financing. In addition, such PRC residents or entities must update their SAFE registrations when the offshore special purpose vehicle undergoes certain material events. See the section entitled "*Regulations — The PRC – Regulations on Foreign Exchange — General Principles of Foreign Exchange*" of this Introductory Document for further details.

If our Shareholders who are PRC residents or entities do not complete their registration with the local SAFE branches, our PRC subsidiaries may be prohibited from distributing their profits and any proceeds from any reduction in capital, share transfer or liquidation to us, and we may be restricted in our ability to contribute additional capital to our PRC subsidiaries. Moreover, failure to comply with the SAFE

registration requirements could result in liability under PRC laws for evasion of applicable foreign exchange restrictions.

However, we may not be informed of the identities of all the PRC residents or entities holding direct or indirect interests in our Company, nor can we compel our beneficial owners to comply with SAFE registration requirements. As a result, we cannot assure you that all of our Shareholders or beneficial owners who are PRC residents or entities have complied with, and will in the future make or obtain any applicable registrations or approvals required by, SAFE regulations. Failure by such Shareholders or beneficial owners to comply with SAFE regulations, or failure by us to amend the foreign exchange registrations of our PRC subsidiaries, could subject us to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit our PRC subsidiaries' ability to make distributions or pay dividends to us or affect our ownership structure, which could adversely affect our business and prospects.

Any failure to comply with PRC regulations regarding the registration requirements for employee stock incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

Under SAFE regulations, PRC residents who participate in a stock incentive plan in an overseas publicly listed company are required to register with the SAFE or its local branches and complete certain other procedures. See the section entitled "*Regulations — The PRC – Regulations on Employment and Social Welfare — Employee Stock Incentive Plan*" of this Introductory Document. We and our PRC resident employees who participate in our share incentive plans are subject to these regulations since we became a public company listed in Hong Kong (China) and previously, England. If we or any of these PRC resident employees fail to comply with these regulations, we or such employees may be subject to fines and other legal or administrative sanctions. We also face regulatory uncertainties that could restrict our ability to adopt additional incentive plans for our Directors, Executive Officers and employees under PRC law.

If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavourable tax consequences to us and our non-PRC Shareholders.

Under the EIT Law and EIT Implementation Regulations, an enterprise established outside of the PRC with a "de facto management body" within the PRC is considered a PRC resident enterprise. The implementation rules define the term "de facto management body" as the body that exercises full and substantial control over and overall management of the business, productions, personnel, accounts and properties of an enterprise. In 2009, the STA issued a circular, known as Circular 82, which provides certain specific criteria for determining whether the "de facto management body" of a PRC-controlled enterprise that is incorporated offshore is located in China. Although Circular 82 only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners like us, the criteria set forth in the circular may reflect the STA's general position on how the "de facto management body" test should be applied in determining the tax resident status of all offshore enterprises. According to Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its "de facto management body" in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organisations or personnel in the PRC; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

We believe that none of our entities outside of China are a PRC-resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body". If the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, we will be subject to the enterprise income tax on our global income at the rate of 25% and we will be required to comply with PRC enterprise income tax reporting obligations. In addition, we may be required to withhold a 10% withholding tax from interest or dividends we pay to our

Shareholders that are non-PRC resident enterprises, including the holders of our Shares. In addition, non-PRC resident enterprise Shareholders may be subject to PRC tax at a rate of 10% on gains realised on the sale or other disposition of our Shares, if such income is treated as sourced from within the PRC. Furthermore, if PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, interest or dividends paid to our non-PRC individual Shareholders and any gain realised on the transfer of the Shares or ordinary shares by such holders may be subject to PRC tax at a rate of 20% (which, in the case of interest or dividends, may be withheld at source by us), if such gains are deemed to be from PRC sources. These rates may be reduced by an applicable tax treaty, but it is unclear whether our non-PRC Shareholders would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC, in the event that we are treated as a PRC resident enterprise.

We may not be able to obtain certain benefits under relevant tax treaties on dividends paid by our PRC subsidiaries to us through our Hong Kong (China) subsidiary.

We are a holding company incorporated under the laws of the Cayman Islands and as such rely on dividends and other distributions on equity from our PRC subsidiaries to our Hong Kong (China) subsidiaries, CMS Medical Venture Investment (HK) Limited, Sky United Trading Limited, HK Prosper Success Investment Limited, Sino Talent Limited, Generous Wealth Limited, CMS Vision Technology Development Limited and Dermavon Limited, to satisfy part of our liquidity requirements. Pursuant to the EIT Law, a withholding tax rate of 10% currently applies to dividends paid by a PRC "resident enterprise" to a foreign enterprise investor, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with China that provides for preferential tax treatment. Pursuant to the Double Taxation Avoidance Arrangement, such withholding tax rate may be lowered to 5% if a Hong Kong (China) resident enterprise owns no less than 25% of a PRC enterprise. Furthermore, the Administrative Measures for Non-Resident Enterprises to Enjoy Treatments under the Double Taxation Avoidance Arrangement, which became effective in January 2020, requires non-resident enterprises to determine whether they are qualified to enjoy the preferential tax treatment under the tax treaties and file relevant reports and materials with the tax authorities. There are also other conditions for enjoying the reduced withholding tax rate according to other relevant tax rules and regulations. See the section entitled "*Taxation — PRC Taxation*" of this Introductory Document. In the future, we intend to re-invest a portion of the earnings, if any, generated from our PRC subsidiaries for the operation and expansion of our business in China. If our tax policy changes to allow for offshore distribution of our earnings, we would be subject to a significant withholding tax of more than 10%. Our determination regarding our qualification to enjoy the preferential tax treatment could be challenged by the relevant tax authority and we may not be able to complete the necessary filings with the relevant tax authority and enjoy the preferential withholding tax rate of 5% under the arrangement with respect to dividends to be paid by our PRC subsidiaries to our Hong Kong (China) subsidiaries, CMS Medical Venture Investment (HK) Limited, Sky United Trading Limited, HK Prosper Success Investment Limited, Sino Talent Limited, Generous Wealth Limited, CMS Vision Technology Development Limited and Dermavon Limited.

We face uncertainty with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies.

In February 2015, the STA issued Circular 7. Circular 7 extends the STA's tax jurisdiction to not only indirect transfers but also transactions involving transfer of other taxable assets, through the offshore transfer of a foreign intermediate holding company. In addition, Circular 7 provides certain criteria on the assessment of what constitutes reasonable commercial purposes and has introduced safe harbours for internal group restructurings and the purchase and sale of equity through a public securities market. Circular 7 also brings challenges to both the foreign transferor and transferee (or other person who is obligated to pay for the transfer) of the taxable assets. Where a non-resident enterprise conducts an "indirect transfer" by transferring the taxable assets indirectly by disposing of the equity interests of an overseas holding company, the non-resident enterprise being the transferor, or the transferee, or the PRC entity which directly owned the taxable assets may report to the relevant tax authority such indirect transfer. Using a "substance over form" principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of 10% for the

transfer of equity interests in a PRC resident enterprise. On 17 October 2017, the STA issued Circular 37, which came into effect on 1 December 2017 and was amended on 15 June 2018. Circular 37 further clarifies the practice and procedure of the withholding of non-resident enterprise income tax.

We face uncertainties on the reporting and consequences of future private equity financing transactions, share exchanges or other transactions involving the transfer of shares in our Company by investors that are non-PRC resident enterprises. The PRC tax authorities may pursue such non-PRC resident enterprises with respect to a filing or the transferees with respect to withholding obligations, and request our PRC subsidiaries to assist in the filing. As a result, we and non-PRC resident enterprises in such transactions may become at risk of being subject to filing obligations or being taxed under Circular 7 and Circular 37, and may be required to expend valuable resources to comply with them or to establish that we and our non-PRC resident enterprises should not be taxed under these regulations, which may have a material adverse effect on our financial condition and results of operations.

RISKS RELATING TO DOING BUSINESS IN HONG KONG

General macroeconomic conditions, particularly in Hong Kong, may materially and adversely affect our business, prospects, results of operations and financial position.

The Hong Kong financial and securities market, where our Shares are primarily listed, is affected by a variety of global and local political and economic factors including macroeconomic and monetary policies, currency and interest rate fluctuations, and other socio-political elements. Any sudden downturn or unexpected change in the global, regional or local economic, political, social or legal environment, such as Brexit, trade wars, political instability or civil unrests, could adversely affect investor sentiments in the financial markets. These factors, which are beyond our control, may cause severe fluctuations in market conditions and economic sentiments, potentially resulting in prolonged periods of reduced market activity. Such adverse conditions could adversely affect the securities market, and thereby impacting the price and liquidity of our Shares.

Given that a small part of our operations is based in Hong Kong, our financial position, results of operations and prospects are closely tied to the economic, political and legal developments in Hong Kong. This includes risks relating to changes in Hong Kong's governmental policies, laws or regulations, as well as their interpretation. Additionally, measures implemented to control inflation, such as interest rate increases, and changes in taxation rates or methods, could adversely affect our business. Our operations in Hong Kong are also exposed to risks from changes in laws and policies governing the operations of Hong Kong-based companies.

In the event of an economy downturn, a recurrence of recession, deflation, changes in currency policy or alterations in laws and policies in Hong Kong affecting our business, our Group's business, operations and financial position could be materially and adversely affected.

The state of political environment in Hong Kong (China) may adversely affect our performance and financial position.

Hong Kong (China) is a special administrative region of the PRC. The basic policies of the PRC regarding Hong Kong (China) are embodied in the Basic Law of Hong Kong, which provides that Hong Kong (China) shall exercise a high degree of autonomy and enjoy executive, legislative and independent judicial power, including that of final adjudication under the principle of "one country, two systems" which is guaranteed not to change for 50 years from 1997. However, we are not in any position to guarantee the implementation of the "one country, two systems" principle and the level of autonomy as currently in place. Since our Shares are listed on the HKSE, any changes of such political arrangements may adversely impact the stability of the economy in Hong Kong (China), thereby directly and adversely affecting the stock market in Hong Kong (China) and the trading volume and share price of our shares.

RISKS RELATING TO AN INVESTMENT IN OUR SHARES

We are incorporated in Cayman Islands and our Shares have a primary listing on the HKSE and are subject to Cayman Islands laws and regulations, which may differ from laws and regulations applicable to Singapore-incorporated companies listed on the SGX-ST.

Our corporate affairs are governed by our Memorandum and Articles of Association, Cayman Islands laws and the Hong Kong Listing Rules applicable to companies listed on the HKSE. The rights of our Shareholders and the responsibilities of our Board of Directors and management under Cayman Islands law may differ from those applicable to a company incorporated in Singapore. Our public Shareholders may have difficulty in protecting their interests in connection with actions taken by our Board of Directors, management or Controlling Shareholders as compared with shareholders of a company incorporated in Singapore. See the section entitled "*Appendix B — Comparison of Selected Cayman Islands Corporate Law Provisions and Singapore Corporate Law Provisions*" of this Introductory Document for a comparison of key differences between the Cayman Islands Companies Act and the Singapore Companies Act.

Further, the nature and content of information required to be publicly disclosed under the Hong Kong Listing Rules may differ from the public disclosures made by companies listed on the SGX-ST. These differences may include, among others, differences with respect to the disclosure of beneficial ownership of our equity securities and related party or connected transactions.

As the listing of our Shares on the SGX-ST will be a secondary listing, we are subject to primary regulatory oversight by the HKSE. Under the Listing Manual, as a foreign issuer with a secondary listing on the SGX-ST, we will generally not be required to comply with the provisions of the Listing Manual, provided that we undertake to: (a) release all information and documents in English to the SGX-ST at the same time as they are released to the home exchange; (b) inform the SGX-ST of any issue of additional securities in a class already listed on the SGX-ST and the decision of the home exchange; and (c) comply with such other Listing Rules as may be applied by the SGX-ST from time to time (whether before or after listing). For example, certain transactions we propose to enter into with parties related to our Group will not be subject to the SGX-ST's requirements in respect of interested person transactions. Instead, such transactions will be subject to the Hong Kong Listing Rules in respect of connected transactions.

The role of the SGX-ST in performing any regulatory, disciplinary or enforcement function in respect of our Company may also be limited. Accordingly, CDP Depositors may have difficulty in protecting their interests as compared with shareholders of a company with a primary listing on the SGX-ST.

We may not be able to pay dividends.

Our ability to declare dividends in relation to our Shares will depend on our future financial performance which, in turn, depends on our ability to successfully implement our business strategies as well as financial, competitive, regulatory and general economic conditions, and other factors specific to our industry or specific projects, many of which are beyond our control. Further, our ability to pay dividends will be substantially affected by the ability of our subsidiaries and associated companies to declare and pay us dividends or other distributions. The ability of our subsidiaries and such entities to declare and pay dividends or other distributions to us will in turn be dependent on the cash income of and cash available to such subsidiary or entity and may be restricted or subject to conditions under applicable laws, regulations or contractual agreements.

There are covenants under the terms of certain existing bank facilities of our subsidiaries, associated companies which may impose restrictions on the ability of these entities to distribute dividends or distributions to our Company upon the occurrence of specified events such as where interest payments under the relevant facility are in arrears. Under the terms of certain of our existing term loan facilities, if the principal and interest are not paid to the lender on a timely basis, we may not declare and pay dividends unless consent is given by the lenders.

Any future declarations and payments of dividends will be at the absolute discretion of our Directors and will depend on our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future

expansion plans, legal, regulatory and other contractual restrictions, and other factors which our Directors consider relevant.

Exchange rate fluctuations may adversely affect the value of our Shares and any dividend distribution.

Our Shares will be quoted in HK$ on the HKSE and in Singapore dollars on the SGX-ST. Dividends, if any, with respect to our Shares will be declared in RMB, the functional currency of our Company and majority of its subsidiaries, and converted to Singapore dollars for payment in relation to Shares which are listed on the SGX-ST. Fluctuations in the exchange rate between the RMB and the Singapore dollar will affect, among other things, the value of the dividends received in Singapore dollars by investors of our Shares listed on the SGX-ST. See the section entitled "*Exchange Rates and Exchange Controls – Exchange Rates*" of this Introductory Document for further information regarding fluctuations in the value of the RMB relative to the Singapore dollar.

The Introduction may not result in an active or liquid market on the SGX-ST for our Shares.

As of the date of this Introductory Document, there is no public market for our Shares in Singapore. We have received an eligibility-to-list letter from the SGX-ST to have our Shares listed on the SGX-ST. The listing and quotation of our Shares on the SGX-ST does not guarantee that a trading market for our Shares on the SGX-ST will develop or the liquidity of that market for our Shares. Although we currently intend that our Shares will remain listed on the HKSE and the SGX-ST, there is no assurance of the continued listing of our Shares on the SGX-ST.

Once our Shares are tradeable on the SGX-ST, the trading prices of our Shares on the HKSE and the SGX-ST respectively may differ significantly due not only to currency fluctuations but also due to differences in market liquidity of our Shares, trading participants and investor bases, exchange trading systems and other factors outside our control. There is no guarantee that the trading prices of our Shares on the SGX-ST will be equivalent to the trading prices of our Shares on the HKSE.

Our post-Introduction Share price may not be reflective of our value and our Share price may be volatile in the future.

The listing will be by way of an Introduction. Unlike a listing undertaken with an initial public offering, there will not be a price-discovery process such as book building undertaken prior to and in connection with the Introduction. As such, the price of the Shares immediately post-Introduction may not reflect an appropriate value of our Company.

The price of the Shares may fluctuate widely, depending on various factors, including:

- changes in market valuations and share prices of companies with similar businesses to our Group that may be listed in Singapore and Hong Kong;
- announcements of significant acquisitions, strategic alliances or joint ventures;
- fluctuations in stock market prices and trading volume;
- involvement in material litigation;
- addition or departure of key personnel;
- success or failure of management in implementing business and growth strategies;
- variations in operating results;
- changes in securities analysts' recommendations, perceptions or estimates of our Group's financial performance;
- general changes in rules/regulations with regard to the pharmaceutical industry that our Group operates in, including those that affect the demand for our Group's products and services; and

- changes in conditions affecting the pharmaceutical industry in which our Group operates, the general economic conditions or stock market sentiments or other events or factors.

You may experience further dilution in the value of the Shares.

We may seek additional funding through a combination of equity offerings, debt financings, collaborations and licensing arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interest will be diluted, and the terms may include liquidation or other preferences that adversely affect the rights as a holder of our Shares. Issuance of additional Shares, or the possibility of such issuance, may cause dilution to our Shareholders if we issue additional Shares at a price which is lower than the net tangible asset value per Share prior to the issuance of such additional Shares or if new Shares other than on a pro rata basis are issued to then existing Shareholders, and may cause the market price of our Shares to decline. In addition, the incurrence of additional indebtedness or the issuance of certain equity securities could result in increased fixed payment obligations and could also result in certain additional restrictive covenants, such as limitations on our ability to incur additional debt or issue additional equity, and other operating restrictions that could adversely impact our ability to conduct our business. If we fail to utilise the additional funds raised to generate a commensurate increase in earnings, this will also lead to a dilution in our earnings per Share and could lead to a decline in the Share price.

Our Controlling Shareholder will be able to exercise substantial control over our Company and may have interests that are different from those of our other Shareholders.

As at the Latest Practicable Date, our Chairman and Executive Director, Mr. Lam Kong, has an interest in 1,167,564,000 Shares which represent approximately 47.86% of the issued Shares. Please see the section entitled "*Share Ownership – Directors, Chief Executive and Substantial Shareholders' Interests and Short Positions in our Shares and Underlying Shares of our Company*" of this Introductory Document for further details. By virtue of his shareholding in our Company, our Controlling Shareholder has the ability to indirectly exercise control over our Company and our affairs and business, including the election of Directors, the timing and payment of dividends. Control of a significant portion of the Shares by our Controlling Shareholder could delay, defer or prevent a future take-over or a change in control of our Company and could make some transactions more difficult or impossible to complete without the support of our Controlling Shareholder. The Controlling Shareholder has no obligation to consider the interests of our Company or the interests of our other Shareholders. As such, the Controlling Shareholder's interests may not necessarily be in line with the best interests of our Company or the interests of our other Shareholders, which may have a material and adverse effect on our Company's business operations and the price at which our Shares are traded on the HKSE.

There is no assurance that we will remain listed on either the HKSE or the SGX-ST.

While our Shares are currently listed on the HKSE and will, following the Introduction, be listed on the SGX-ST, there is no assurance that they will continue to be so listed on both or either exchange in the future. We may not be able to continue to satisfy the listing requirements under the regulations of the HKSE or other relevant rules, regulations or laws in Cayman Islands or Singapore. In addition, our eligibility-to-list on the SGX-ST is conditional upon, among others, the maintenance of our primary listing on the HKSE. In the event that our Shares cease to be listed on the HKSE, there is no assurance that our Shares will remain listed on the SGX-ST. If our Shares are suspended from quotation, removed from trading or otherwise cease to be traded on the HKSE or the SGX-ST, our Shareholders and CDP Depositors (as the case may be) will not be able to trade our Shares on the HKSE and/or the SGX-ST. Further, there is no assurance that any of such Shareholders or CDP Depositors will be entitled to compensation or an exit offer, or that the terms of any such compensation or exit offer will be satisfactory to them. If our Shares cease to be listed on the SGX-ST and in the event there is no exit offer or CDP Depositors choose not to accept the exit offer, such CDP Depositors may have to transfer their Shares to the HKSE for disposal or trading. See the section entitled "*Clearance and Settlement*" of this Introductory Document for further details regarding transfers of our Shares between the SGX-ST and the HKSE.

The different characteristics of the capital markets in Singapore and Hong Kong may negatively affect the trading prices of our Shares.

Upon the Introduction, we will be subject to Singapore and Hong Kong listing and regulatory requirements concurrently. The SGX-ST and HKSE have different trading hours, trading characteristics (including trading volume and liquidity), trading and listing rules, and investor bases (including different levels of retail and institutional participation). As a result of these differences, the trading prices of our Shares on SGX-ST and HKSE may not be the same, even allowing for currency differences. Fluctuations in the price of our Shares due to circumstances peculiar to the Hong Kong capital market could materially and adversely affect the price of our Shares, or *vice versa*. Certain events having significant negative impact specifically on the Hong Kong capital markets may result in a decline in the trading price of our Shares notwithstanding that such event may not impact the trading prices of securities listed in Singapore generally or to the same extent, or *vice versa*. Because of the different characteristics of Singapore and Hong Kong capital markets, the historical market prices of our Shares may not be indicative of the trading performance of our Shares after the Introduction.

We will not be subject to full regulatory oversight from the SGX-ST after the Introduction and certain rules from the SGX-ST Listing Manual will not apply to us.

As our primary listing is on the HKSE and the listing of our Shares on the SGX-ST is a secondary listing, the HKSE will have primary regulatory oversight over our Company. Under the Listing Manual, a foreign issuer having a secondary listing on the SGX-ST, as is our case, need not comply with the Listing Manual, provided that it undertakes to:

- release all information and documents in English to the SGX-ST at the same time as they are released to the HKSE;

- inform the SGX-ST of any issue of additional securities in a class already listed on the SGX-ST and the decision of the HKSE; and

- to comply with such other listing rules as may be applied by the SGX-ST from time to time.

Whilst the SGX-ST has imposed certain conditions on us in connection with the listing of our Shares on the SGX-ST as stated in the section entitled "*Our Listing on the SGX-ST*" of this Introductory Document, our compliance with such conditions will nonetheless be less than that required of a company with a primary listing on the SGX-ST.

For example, we are also not subject to the continuing disclosure obligations under Chapters 9, 10 and 13 of the Listing Manual but will be subject to the relevant laws and regulations governing listed corporations on the HKSE. As we are not required to comply with Chapter 13 of the Listing Manual, CDP Depositors will not be entitled to an exit offer under Rule 1309(1) of the Listing Manual in the event of a delisting from the SGX-ST only. An announcement will be made to inform CDP Depositors in the event of a delisting from the SGX-ST.

CDP Depositors may be diluted as they may not be able to participate in any additional equity fundraising or rights issue.

We may in the future require additional equity funding after the Introduction and our Shareholders and CDP Depositors may face dilution of their shareholdings should we issue Shares to obtain such equity funding. Furthermore, if we were to conduct a rights issue in Hong Kong or in any jurisdictions excluding Singapore, CDP Depositors may not be able to participate in such a rights issue. Compliance with securities laws or other regulatory provisions in Singapore may prevent us from offering such rights to CDP Depositors without us incurring substantial additional costs (over and above any requirements we must comply with in Hong Kong), including having to lodge an offer information statement with the MAS. If that is the case and Shares to be issued pursuant to a rights issue in Hong Kong or in any jurisdictions excluding Singapore were offered to the eligible Shareholders at a discount, CDP Depositors will face dilution of their beneficial shareholdings. See the section entitled "*Clearance and Settlement – Removal of Shares out of CDP in Singapore for Trading on the HKSE*" of this Introductory Document for more information for the mechanism for conversion and transfer of Shares trading on the SGX-ST to Shares for trading on the HKSE to be eligible to participate in corporate actions offered to our Shareholders.

There are exchange rate risks in trading in our Shares and dividends distributed by us may also be affected.

Investors should note that the Shares listed on the HKSE will need to be removed from our branch register of members kept in Hong Kong to enable transfer to the CDP for trading on the SGX-ST. However, once there are sufficient Shares transferred to the CDP or our Company conducts fundraising through an offering of Shares in Singapore in the future (with such Shares to be held through CDP), investors will be able to trade our Shares on the SGX-ST and, subject to compliance with applicable laws, rules and regulations, may be able to convert the Shares for trading on the HKSE. See the section entitled "*Clearance and Settlement*" of this Introductory Document for more information. Transactions in our Shares on the HKSE and transactions in our Shares on the SGX-ST will be settled in Hong Kong dollars and Singapore dollars respectively. However, should you sell our Shares on the HKSE, and you decide to convert the proceeds from the sale into Singapore dollars, you will be subject to the prevailing exchange rate between the Singapore dollars and Hong Kong dollars at the time you convert the proceeds from your sale into Singapore dollars. Any fluctuation in exchange rates of this nature may have an impact on the proceeds which you receive from the sale of your Shares.

There may be difficulties in protecting your interests under the laws of the Cayman Islands.

Our corporate affairs are governed by, among other things, our Memorandum, Articles of Association, the Cayman Islands Companies Act and common law of the Cayman Islands. The rights of Shareholders to take action against our Directors, actions by minority Shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority Shareholders differ in some respects from those in other jurisdictions. Such differences may mean that the remedies available to the minority Shareholders may be different from those they would have under the laws of other jurisdictions.

Facts, forecasts and statistics in this Introductory Document relating to the pharmaceutical industry may not be fully reliable.

Facts, forecasts and statistics in this Introductory Document relating to the pharmaceutical industry are obtained from various sources that we believe are reliable, including official government publications. However, our Company, our Directors and the Issue Manager cannot guarantee the quality or reliability of these sources. Neither our Company, our Directors, the Issue Manager (except where reasonable and appropriate to do so) nor our respective affiliates or advisers have verified the facts, forecasts and statistics nor ascertained the underlying economic assumptions relied upon in those facts, forecasts and statistics obtained from these sources. Due to possibly flawed or ineffective collection methods or discrepancies between published information and factual information and other problems, the industry statistics in this Introductory Document may be inaccurate and you should not place undue reliance on them. Our Company, our Directors and the Issue Manager make no representation as to the accuracy of such facts, forecasts and statistics obtained from various sources. Moreover, these facts, forecasts and statistics involve risks and uncertainties and are subject to change based on various factors and should not be unduly relied upon.

DIVIDEND POLICY

Statements contained in this section that are not historical facts are forward-looking statements. Such statements are subject to certain risks and uncertainties which could cause actual results to differ materially from those which may be forecasted and projected. Under no circumstances should the inclusion of such information herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by us, the Issue Manager, or any other person. Prospective investors are cautioned not to place undue reliance on these forward-looking statements that speak only as at the date hereof. See the section entitled *"Notice to Investors – Forward-Looking Statements" of this Introductory Document.*

Past Dividends

The following table shows the amount of cash dividends declared and paid by our Company for each of FY2022, FY2023 and FY2024 and for the period from 1 January 2025 to the Latest Practicable Date:

	FY2022		**FY2023**		**FY2024**		**1 January 2025 to the Latest Practicable Date**	
	Dividend (per Share)	**Total Dividend (RMB'000)**	**Dividend (per Share)**	**Total Dividend (RMB'000)**	**Dividend (per Share)**	**Total Dividend (RMB'000)**	**Dividend (per Share)**	**Total Dividend (RMB'000)**
Our Company	RMB0.5344	1,310,555	RMB0.3917	960,444	RMB0.2681	647,871	-	-

None of our subsidiaries (except where dividends were paid to our Company or any of its subsidiaries) paid dividends for each of FY2022, FY2023 and FY2024 and for the period from 1 January 2025 to the Latest Practicable Date.

Dividend Policy

Under our Dividend Policy, our Company does not have any pre-determined dividend payout ratio. Although we intend to declare and pay dividends in the future, the declaration, payment and amount of any dividends are subject to our Board's discretion having regard to the following factors: (a) our Group's actual and expected financial performance; (b) our Group's expected working capital requirements and future development plans; (c) our Group's liquidity position; (d) the economic outlook; (e) contractual restrictions or obligations; (f) shareholders' interests; and (g) any other factors our Board may consider relevant. Such payment of the dividend by our Company is also subject to any restrictions under any applicable laws, rules and regulations and our Company's Memorandum and Articles of Association. Our Company endeavours to strike a balance between the shareholders' interest and prudent capital management with a sustainable dividend policy. Our Board will continually review our Dividend Policy and reserves the right in its sole and absolute discretion to update, amend and/or modify our Dividend Policy at any time as our Board deems fit and necessary. There is no assurance that our Company will pay dividends in any particular amount for any given period.

We are a holding company incorporated under the laws of the Cayman Islands. The payment of dividends is also subject to any requirements of the Cayman Islands Companies Act, regulations under the laws of Cayman Islands and the Memorandum and Articles of Association of our Company. As a result, the payment and amount of any future dividend may be paid out of the profits or out of the share premium account of our Company. PRC laws require a foreign-invested enterprise to make up for its accumulative losses out of its after-tax profits and allocate at least ten per cent. (10%) of its remaining after-tax profits, if any, to fund its statutory reserves until the aggregate amount of its statutory reserves exceeds 50% of its registered capital.

Our Board will continue to review the Dividend Policy from time to time. There is no assurance that dividends will be paid in any particular amount for any given period.

Shareholders whose Shares are held through CDP will receive their dividends through CDP in Singapore dollars. We will make the necessary arrangements to convert the dividends into the Singapore dollar equivalent at the prevailing exchange rate on a date around the record date or payment date for onward distribution to CDP and CDP's onward distribution to entitled Shareholders. Neither our Company nor CDP will be liable for any loss whatsoever arising from the conversion of the dividend entitlement of Shareholders holding their Shares through CDP from the Hong Kong dollar and/or RMB into the Singapore dollar equivalent.

You should note that the foregoing statements are merely statements of our present intention and shall not constitute legally binding statements in respect of our Company's future dividends, which may be subject to modification (including reduction or non-declaration thereof) in the sole and absolute discretion of our Board.

No inference should or can be made from any of the foregoing statements as to our Company's actual future profitability or our Company's ability to pay dividends in any of the periods discussed.

CAPITALISATION AND INDEBTEDNESS

The information in this section should be read in conjunction with the full text of this Introductory Document, including the "Management's Discussion and Analysis of Financial Condition and Results of Operations", the "Independent Auditor's Report and the Audited Consolidated Financial Statements for the Financial Years as at and for each of the years ended 31 December 2022, 2023 and 2024" as set out in Appendix A to this Introductory Document.

The table below shows our cash and cash equivalents (represented by bank balances and cash), capitalisation and indebtedness of our Group, which is prepared based on our audited consolidated financial statements for FY2024.

	Audited
(RMB'000)	As at 31 December 2024
Bank balances and cash	3,706,501
Capitalisation and indebtedness	
Current:	
Secured and non-guaranteed	-
Secured and guaranteed	-
Non-secured and non-guaranteed	831,300
Non-secured and guaranteed	-
Non-current:	
Secured and non-guaranteed	-
Secured and guaranteed	-
Non-secured and non-guaranteed	-
Non-secured and guaranteed	-
Total indebtedness	831,300
Total shareholders' equity attributable to owners of the Company	16,311,469
Total capitalisation and indebtedness	17,142,769

MARKET PRICE INFORMATION

The following table sets out certain historical pricing and trading volume information of our Shares on the HKSE. No inference should or can be made from any of the information below as to the actual price or movement of our Shares for any other periods.

Our Shares are currently listed on the HKSE. The following table sets out certain pricing and trading volume information for our Shares on the HKSE for FY2022, FY2023, FY2024 and for the last six (6) months prior to the Latest Practicable Date. No inference should or can be made from any of the information below as to our actual share price performance or movement of our Shares. There can be no assurance that the market price of our Shares following the close of the Introduction will attain a price which is higher or lower than the range of prices set forth below or any price.

Period	**High (HK$)[(1)(4)]**	**Low (HK$)[(1)(4)]**	**Average Daily Trading Volume (Number of Shares) [(2)(4)]**
FY2022[(3)]	14.48	8.57	3,706,219
FY2023[(3)]	15.70	10.96	3,039,401
FY2024[(3)]	13.64	6.24	7,796,531
December 2024	7.79	7.33	4,145,448
January 2025	7.42	6.76	4,078,326
February 2025	8.36	7.07	5,361,017
March 2025	8.48	7.37	10,245,050
April 2025	8.71	7.15	13,150,239
May 2025	10.72	8.16	15,255,675
June 2025 (through to the Latest Practicable Date)	11.74	10.46	22,992,733

Notes:

(1) Based on daily closing prices.

(2) The average daily trading volume is computed based on the total volume of Shares traded on the HKSE during the relevant periods, divided by the number of days when the HKSE was open for trading (excluding days with full day trading halts).

(3) Information pertaining to FY2022, FY2023 and FY2024 are taken from 1 January 2022 to 31 December 2022, 1 January 2023 to 31 December 2023 and 1 January 2024 to 31 December 2024, respectively.

(4) Source: Bloomberg L.P. Bloomberg L.P. has not provided its consent to the inclusion of the information extracted from its database for the purpose of Section 249 of the SFA, and it is therefore not liable for such information under Sections 253 and 254 of the SFA. While our Company, our Directors and the Issue Manager have taken reasonable actions to ensure that the information from Bloomberg L.P.'s database has been reproduced in its proper form and context, and that such information is extracted accurately and fairly in this Introductory Document, neither our Company, our Directors, the Issue Manager nor any other party has conducted an independent review of the information contained in that database or verified the accuracy of the contents of the relevant information.

The following table sets out the highest and lowest market prices of our Shares on the HKSE for each financial quarter of the two (2) most recently completed financial years and subsequent quarters before the date of this Introductory Document.

Period	High (HK$)[1][2]	Low (HK$)[1][2]
Quarter ended 31 March 2023	14.32	11.80
Quarter ended 30 June 2023	13.66	11.00
Quarter ended 30 September 2023	13.20	10.96
Quarter ended 31 December 2023	15.70	11.14
Quarter ended 31 March 2024	13.64	8.22
Quarter ended 30 June 2024	7.69	6.57
Quarter ended 30 September 2024	8.95	6.24
Quarter ended 31 December 2024	10.02	7.33
Quarter ended 31 March 2025	8.48	6.76
April 2025 to the Latest Practicable Date	11.74	7.15

Notes:

(1) Source: Bloomberg L.P. Bloomberg L.P. has not provided its consent to the inclusion of the information extracted from its database for the purpose of Section 249 of the SFA, and it is therefore not liable for such information under Sections 253 and 254 of the SFA. While our Company, our Directors and the Issue Manager have taken reasonable actions to ensure that the information from Bloomberg L.P.'s database has been reproduced in its proper form and context, and that such information is extracted accurately and fairly in this Introductory Document, neither our Company, our Directors, the Issue Manager nor any other party has conducted an independent review of the information contained in that database or verified the accuracy of the contents of the relevant information.

(2) The high and low amounts were based on the highest and lowest closing price, respectively, for our Shares for the particular period.

The closing price of our Shares on the HKSE as at the Latest Practicable Date was HK$11.74. The closing price of our Shares on the HKSE as at date of the last trading day before the date of this Introductory Document, was HK$11.98.

There has been no significant trading suspension of our Shares that has occurred on the HKSE during the last three (3) years immediately preceding the Latest Practicable Date. Our Shares are regularly traded on the HKSE.

EXCHANGE RATES AND EXCHANGE CONTROLS

EXCHANGE RATES

Exchange rates between RMB and S$

The following table sets out, for the periods indicated, certain information on the exchange rates between the RMB and the Singapore dollar (in RMB per Singapore dollar), as quoted by Bloomberg L.P. and rounded to two (2) decimal places. These exchange rates have been presented solely for information only. We make no representation that the RMB or Singapore dollar amounts set out below and referred to elsewhere in this Introductory Document could have been or could be converted into any of the respective other currencies at the rates indicated or at any other rate or at all.

	Closing Exchange Rates RMB per Singapore dollar[1]			
Period	**High[2]**	**Low[2]**	**Average[3]**	**Period End**
FY2022[4]	5.24	4.63	4.88	5.14
FY2023[4]	5.45	5.08	5.27	5.38
FY2024[4]	5.48	5.30	5.38	5.34
December 2024	5.42	5.34	5.39	5.34
January 2025	5.39	5.33	5.36	5.34
February 2025	5.44	5.30	5.40	5.39
March 2025	5.44	5.30	5.43	5.40
April 2025	5.59	5.41	5.52	5.57
May 2025	5.65	5.51	5.58	5.58
1 June 2025 to the Latest Practicable Date (both inclusive)	5.61	5.58	5.59	5.61

Notes:

(1) Source: Bloomberg L.P. Bloomberg L.P. has not provided its consent to the inclusion of the information extracted from its database for the purpose of Section 249 of the SFA, and it is therefore not liable for such information under Sections 253 and 254 of the SFA. While our Company, our Directors and the Issue Manager have taken reasonable actions to ensure that such information has been reproduced in its proper form and context, and that such information is extracted accurately and fairly in this Introductory Document, neither our Company, our Directors, the Issue Manager nor any other party has conducted an independent review of the information contained in that database or verified the accuracy of the contents of the relevant information.

(2) The high and low amounts were determined using the closing exchange rates at the end of each day during the period indicated.

(3) The yearly average rate was determined using the closing exchange rates on the last day of each month during the period indicated. The monthly or periodic average rate was determined using the closing exchange rates at the end of each day during the period indicated.

(4) Information pertaining to FY2022, FY2023 and FY2024 is taken from 1 January 2022 to 31 December 2022, 1 January 2023 to 31 December 2023 and 1 January 2024 to 31 December 2024, respectively.

As at the Latest Practicable Date, the closing exchange rate between the RMB and the Singapore dollar (in RMB per Singapore dollar) was RMB5.61 : S$1.00.

EXCHANGE CONTROLS

Cayman Islands

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

Hong Kong (China)

There are currently no foreign exchange control restrictions or similar laws, decrees, regulatory or other requirements in Hong Kong (China) that may restrict the following:

(a) the ability to transfer funds by or to our Company in the form of repatriation of capital and remittance of profits;

(b) the availability of cash and cash equivalents for use by our Company; and

(c) the remittance of dividends, interest or other payments to holders of our Shares.

The PRC

The principal regulations governing foreign currency exchange in the PRC are the Administrative Regulations on Foreign Exchange of the PRC. Under the PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, may be made in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. By contrast, approval from or registration with appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of foreign currency denominated loans or foreign currency is to be remitted into the PRC under the capital account, such as a capital increase or foreign currency loans to our PRC subsidiaries. In June 2016, the SAFE promulgated the SAFE Circular 16, which unifies the discretional foreign exchange settlement for all the domestic institutions. The discretional foreign exchange settlement refers to the foreign exchange capital under the capital account which has been confirmed by the relevant policies subject to the discretional foreign exchange settlement (including foreign exchange capital, foreign debts and funds remitted from the proceeds from the overseas listing) can be settled at the banks based on the actual operational needs of the domestic institutions. The proportion of discretional foreign exchange settlement of the foreign exchange capital is temporarily determined as 100%. Furthermore, the SAFE Circular 16 stipulates that the use of foreign exchange incomes of capital accounts by FIEs shall follow the principles of authenticity and self-use within the business scope of enterprises. The foreign exchange incomes of capital accounts and capital in RMB obtained by FIEs from foreign exchange settlement shall not be used for the following purposes: (a) directly or indirectly used for the payment beyond the business scope of the enterprises or the payment prohibited by relevant laws and regulations; (b) directly or indirectly used for investment in securities or financial schemes other than bank guaranteed products, unless otherwise provided by relevant laws and regulations; (c) used for granting loans to non-connected enterprises, unless otherwise explicitly permitted by its business scope; and (d) used for the construction or purchase of real estate that is not for self-use (except for the real estate enterprises). In October 2019, the SAFE promulgated the SAFE Circular 28, which allows non-investment FIEs to use their capital funds to make equity investments in the PRC, provided that such investments do not violate the special administrative measures for access to foreign investments and the target investment projects are genuine and in compliance with laws.

According to the Circular of the State Administration of Foreign Exchange on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business (《国家外汇管理局关于优化外汇管理支持涉外业务发展的通知》) promulgated in April 2020 by the SAFE, the reform of facilitating the payments of incomes under the capital accounts shall be promoted nationwide.

Enterprises satisfying the prescribed requirements are allowed to use receipts under the capital accounts such as capital funds, foreign debts, and overseas listings for domestic payment without providing banks with authenticity certification materials on a transaction-by-transaction basis in advance, under the premise that funds are used in a truthful and compliant manner and comply with the existing provisions on the administration of use of receipts under capital accounts.

Singapore

There are no exchange control regulations or currency restrictions in effect in Singapore.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our results of operations and financial position has been prepared by our management and should be read in conjunction with the full text of this Introductory Document, including the "Independent Auditor's Report and the Audited Consolidated Financial Statements as at and for each of the years ended 31 December 2022, 2023 and 2024" as set out in Appendix A to this Introductory Document respectively, and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Introductory Document.

Prospective investors should read the following discussion and analysis of our financial condition and results of operations in conjunction with the sections entitled "Risk Factors" and "Summary – Selected Consolidated Financial Information" of this Introductory Document *and our consolidated financial statements and the related notes included elsewhere in this Introductory Document. This discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results and the timing of selected events may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those described under the section entitled "Risk Factors" and elsewhere in this Introductory Document. See the section entitled "Notice to Investors – Forward-Looking Statements"* of this Introductory Document*. Our consolidated financial statements have been prepared in accordance with the IFRS.*

OVERVIEW

Our Group is a platform company linking pharmaceutical innovation and commercialisation with strong product lifecycle management capability, dedicated to providing competitive products and services to meet unmet healthcare needs.

Please refer to the section entitled "*Business*" of this Introductory Document for further details of our business.

Revenue

Our revenue is derived from sales of pharmaceutical products and promotion income under a single segment, being research and development, promotion, sales and manufacturing of pharmaceutical products. Our Group's revenue is primarily derived from the PRC.

	Audited					
	FY2022		FY2023		FY2024	
	RMB'000	%	RMB'000	%	RMB'000	%
Sales of pharmaceutical products	7,055,729	77.1	5,936,515	74.1	5,887,214	78.8
Promotion income	2,094,618	22.9	2,076,770	25.9	1,581,776	21.2
Total	**9,150,347**	**100.0**	**8,013,285**	**100.0**	**7,468,990**	**100.0**

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

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

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

Cost of goods sold

The cost of goods sold amounted to approximately RMB2,114.5 million, RMB1,904.1 million and RMB2,046.8 million in FY2022, FY2023 and FY2024 respectively, representing 23.1%, 23.8% and 27.4% of our revenue during the respective financial periods.

Gross profit and gross profit margin

Gross profit is the amount of our revenue in excess of our cost of goods sold, and gross profit margin is the percentage of revenue that exceeds our cost of goods sold.

The gross profit of our Group amounted to RMB7,035.8 million, RMB6,109.2 million and RMB5,422.2 million for FY2022, FY2023 and FY2024 respectively, representing a gross profit margin of approximately 76.9%, 76.2% and 72.6% for each of the corresponding financial periods.

Other income

Other income comprised interest income and government subsidies and is set out below:

	Audited		
(RMB'000)	**FY2022**	**FY2023**	**FY2024**
Interest income	105,515	146,475	126,344
Government subsidies	93,063	85,616	82,043
Total other income	**198,578**	**232,091**	**208,387**

The government subsidies mainly represented the incentive subsidies provided by the PRC local authorities to our Group to encourage general business operations in the PRC. Such government subsidies are typically granted by the local governments based on a variety of criteria including the size of the company, number of its employees, and the company's contribution towards economic growth in the region, which varies from case to case. While not specific to our Group's business, these government grants were pertinent to income and aim to give immediate financial support to our Group with no future related costs. There were no unfulfilled conditions attached to these grants and our Group has recognised the grants upon receipt. We expect similar subsidies to continue in the foreseeable future, although there is no guarantee that they will remain at current levels.

Other gains and losses

Other gains and losses broadly comprised impairment losses, net foreign exchange gains and losses, changes in fair value of financial instruments and assets, and amounted to losses of RMB4.2 million, RMB336.0 million and RMB151.2 million in FY2022, FY2023 and FY2024 respectively.

Selling expenses

Selling expenses comprised mainly marketing promotion expenses, labour cost and maintenance expenses, and amounted to RMB2,721.3 million, RMB2,511.3 million and RMB2,661.6 million in FY2022, FY2023 and FY2024 respectively.

Administrative expenses

Administrative expenses comprised mainly labour costs and maintenance expenses, and amounted to RMB636.6 million, RMB656.6 million and RMB780.1 million in FY2022, FY2023 and FY2024 respectively.

Finance costs

Finance costs comprised interest expenses and amounted to RMB49.1 million, RMB46.3 million and RMB38.6 million in FY2022, FY2023 and FY2024 respectively.

Research and development expenses

Our Group's research and development expenditures included investments for the continuous expansion of innovative product pipelines, expenditures on development, registration and clinical trial of new products, salaries and related expenses of staff who were engaged in the aforesaid affairs. Research and development expenditures included the expensed research and development expenditures (i.e. research and development expenses) and capital payments comprising payments for acquisition of equity investments in research and development companies and payment for acquisition and development of product rights. For the Period under Review, the changes in our Group's capital payments under its research and development expenditures were mainly due to changes in purchases of innovative product rights, equity investments and clinical trial development activities. The breakdown is set out below:

		Audited	
(RMB'000)	**FY2022**	**FY2023**	**FY2024**
Total research and development expenditures	730,593	815,878	888,334
Less: Capital payments	605,162	620,744	558,352
- payment for acquisition of equity investments in research and development companies	*98,577*	*344,975*	*135,063*
- payment for acquisition and development of product rights	*506,585*	*275,769*	*423,289*
Research and development expenses	125,431	195,134	*329,982*
As a percentage of the net revenue of our Group	1.4%	2.4%	4.4%

Share of result of associates

Share of result of associates comprising Tibet Rhodiola Pharmaceutical Holding Co. (西藏诺迪康药业股份有限公司) (listed on the Shanghai Stock Exchange) ("**Tibet Rhodiola Pharmaceutical**"), Shenzhen Kangmai Biotechnology Co., Ltd. ("**Shenzhen Kangmai**"), Eye Tech Care, and PharmaGend Global Medical Services Pte. Ltd. ("**PharmaGend Global**") amounted to RMB65.1 million, RMB275.0 million and RMB338.5 million in FY2022, FY2023 and FY2024 respectively.

Share of result of a joint venture

Share of result of a joint venture amounted to RMB2.9 million and RMB2.8 million in FY2023 and FY2024 respectively. Our Group had entered into a shareholder agreement with the other shareholders of Xili Pharmaceutical, being our subsidiary at the time, in February 2023, resulting in the investment deemed disposed of and was thereafter accounted for as an investment in joint venture using the equity method. During the Period Under Review, we did not have any joint ventures prior to FY2023.

Further details of the deemed disposal of Xili Pharmaceutical are set out in Note 41 of the Independent Auditor's Report for FY2024 in Appendix A to this Introductory Document.

Income tax expense

A breakdown of income tax expense and overall effective income tax rates for the Period under Review is as follows:

		Audited	
	FY2022	**FY2023**	**FY2024**
Profit before tax (RMB'000)	3,762,850	2,873,771	2,010,307
Income tax expense (RMB'000)	(486,655)	(489,341)	(397,227)
Effective tax rate of our Group	12.9%	17.0%	19.8%

Our tax expenses comprise the PRC enterprise income tax, Hong Kong (China) profits tax, PRC withholding income tax, Macau (China) complementary income tax, and Dubai tax. Our effective tax rates were lower than the PRC statutory tax rate of 25% mainly due to reduced tax rates granted by local tax authorities in the PRC for certain subsidiaries, and lower statutory tax rates in Hong Kong (China), Macau (China) and Dubai.

Profit attributable to owners of our Company

The profit attributable to owners of our Company amounted to RMB3,259.0 million, RMB2,400.9 million and RMB1,619.8 million in FY2022, FY2023 and FY2024 respectively.

REVIEW OF RESULTS OF OPERATIONS

FY2022 vs FY2023

Revenue

Revenue decreased by RMB1,137.1 million or 12.4% from RMB9,150.3 million in FY2022 to RMB8,013.3 million in FY2023 mainly due to a decrease in the sales of three (3) pharmaceutical products (Deanxit, Plendil and Ursofalk) as they are included in the National VBP. Deanxit was included in the seventh batch of National VBP implemented in November 2022 and Plendil and Ursofalk were included in the eighth batch of National VBP implemented in July 2023. The aggregate sales of these three pharmaceutical products in the second half of FY2023 declined approximately 50% compared with the second half of FY2022.

Cost of goods sold

Cost of goods sold decreased by RMB210.4 million or 9.9% from RMB2,114.5 million in FY2022 to RMB1,904.1 million in FY2023 due to the decrease in revenue in the corresponding period.

Gross profit and gross profit margin

Gross profit decreased by RMB926.7 million or 13.2% from RMB7,035.8 million in FY2022 to RMB6,109.2 million in FY2023 mainly due to a decrease in the sales of three (3) pharmaceutical products (Deanxit, Plendil and Ursofalk) as they are included in the National VBP.

Gross profit margin decreased from 76.9% in FY2022 to 76.2% in FY2023 mainly due to the decrease in selling prices of our three pharmaceutical products included within the National VBP.

Other income

Other income increased by RMB33.5 million or 16.9% from RMB198.6 million in FY2022 to RMB232.1 million in FY2023 mainly due to an increase in interest income.

Other gains and losses

Other gains and losses decreased by RMB331.8 million or 7,909.5% from a loss of RMB4.2 million in FY2022 to a loss RMB336.0 million in FY2023 mainly due to impairment losses and a loss in fair value of derivative financial instruments and financial assets, but was partially offset by net foreign exchange gains and dividends received from financial assets at fair value through profit or loss.

Selling expenses

Selling expenses decreased by RMB210.0 million or 7.7% from RMB2,721.3 million in FY2022 to RMB2,511.3 million in FY2023 in line with the decrease in revenue. Selling expenses as a percentage of revenue increased from 29.7% in FY2022 to 31.3% in FY2023 mainly due to an increase in resources injected to develop new businesses, and a decrease in sales of our three pharmaceutical products within the National VBP.

Administrative expenses

Administrative expenses increased by RMB20.0 million or 3.1% from RMB636.6 million in FY2022 to RMB656.6 million in FY2023 due to an increase in administrative maintenance expenses required by the development of new businesses. Administrative expenses as a percentage of revenue increased from 7.0% in FY2022 to 8.2% in FY2023.

Finance costs

Finance costs decreased by RMB2.8 million or 5.8% from RMB49.1 million in FY2022 to RMB46.3 million in FY2023 mainly due to a decrease in bank borrowings used.

Research and development expenses

Research and development expenses increased by RMB69.7 million or 55.6% from RMB125.4 million in FY2022 to RMB195.1 million in FY2023 due to an increase in R&D activities.

Share of result of associates

Share of result of associates increased by RMB 209.9 million or 322.6% from RMB65.1 million in FY2022 to RMB275.0 million in FY2023 due to improved net profits from associates.

Share of result of joint venture

Share of result of a joint venture amounted to RMB2.9 million in FY2023 as our Group had entered into a shareholder agreement with the other shareholders of Xili Pharmaceutical, being our subsidiary at the time, in February 2023, resulting in the investment deemed disposed of and was thereafter accounted for as an investment in joint venture using the equity method.

Income tax expense

Income tax expense increased by RMB 2.7 million or 0.6% from RMB486.7 million in FY2022 to RMB489.3 million in FY2023 mainly due to withholding tax recognised arising from PRC subsidiaries' intercompany dividend distribution to their foreign shareholders.

Profit attributable to owners of our Company

As a result of the above, profit attributable to owners of our Company decreased by RMB858.1 million or 26.3% from RMB3,259.0 million in FY2022 to RMB2,400.9 million in FY2023.

FY2023 vs FY2024

Revenue

Revenue decreased by RMB544.3 million or 6.8% from RMB8,013.3 million in FY2023 to RMB7,469.0 million in FY2024 mainly due to the inclusion of three (3) pharmaceutical products (Deanxit, Plendil and Ursofalk) in the National VBP.

Cost of goods sold

Cost of goods sold increased by RMB142.7 million or 7.5% from RMB1,904.1 million in FY2023 to RMB2,046.8 million in FY2024 due to the increase in cost of non-National VBP products being higher than the decrease in cost of three (3) National VBP products.

Gross profit and gross profit margin

Gross profit decreased by RMB687.0 million or 11.2% from RMB6,109.2 million in FY2023 to RMB5,422.2 million in FY2024 mainly due to a decrease in the sales of three (3) pharmaceutical products (Deanxit, Plendil and Ursofalk) as they were included in the National VBP.

Gross profit margin decreased from 76.2% in FY2023 to 72.6% in FY2024 mainly due to the decrease in selling prices of our three pharmaceutical products included in the National VBP.

Other income

Other income decreased by RMB23.7 million or 10.2% from RMB232.1 million in FY2023 to RMB208.4 million in FY2024 mainly due to the decrease in interest income.

Other gains and losses

Other losses was reduced by RMB184.8 million or 55.0% from a loss of RMB336.0 million in FY2023 to a loss of RMB151.2 million in FY2024, mainly due to a decrease in provisions of impairment losses on related assets.

Selling expenses

Selling expenses increased by RMB150.3 million or 6.0% from RMB2,511.3 million in FY2023 to RMB2,661.6 million in FY2024 mainly due to an increase in resources injected to develop new products. Selling expenses as a percentage of revenue increased from 31.3% in FY2023 to 35.6% in FY2024 mainly due to a decrease in sales of three pharmaceutical products included in the National VBP.

Administrative expenses

Administrative expenses increased by RMB123.5 million or 18.8% from RMB656.6 million in FY2023 to RMB780.1 million in FY2024 due to an increase in administrative maintenance expenses required by the development of new businesses. Administrative expenses as a percentage of revenue increased from 8.2% in FY2023 to 10.4% in FY2024 due to a decrease in sales of three pharmaceutical products resulted from the impact of implementation of the National VBP.

Finance costs

Finance costs decreased by RMB7.6 million or 16.5% from RMB46.3 million in FY2023 to RMB38.6 million in FY2024 mainly due to a decrease in the amount of bank borrowings.

Research and development expenses

Research and development expenses increased by RMB134.8 million or 69.1% from RMB195.1 million in FY2023 to RMB330.0 million in FY2024 due to increases in research and clinical trial expenses.

Share of result of associates

Share of result of associates increased by RMB63.6 million or 23.1% from RMB275.0 million in FY2023 to RMB338.5 million in FY2024 due to an increase in profit of associates.

Share of result of joint venture

Share of result of joint venture decreased by RMB0.1 million or 4.6% from RMB2.9 million in FY2023 to RMB2.8 million in FY2024 due to a decrease in the profit recorded by our joint venture.

Income tax expense

Income tax expense decreased by RMB92.1 million or 18.8% from RMB489.3 million in FY2023 to RMB397.2 million in FY2024, mainly due to a decrease in profit.

Profit attributable to owners of our Company

As a result of the above, profit attributable to owners of our Company decreased approximately by RMB781.2 million or 32.5%, from RMB2,400.9 million in FY2023 to RMB1,619.8 million in FY2024.

REVIEW OF FINANCIAL POSITION

As at 31 December 2024

Non-Current Assets

As at 31 December 2024, our non-current assets amounted to RMB9,342.9 million, representing 51.8% of our total assets.

Our non-current assets comprised mainly interests in associates, intangible assets, goodwill and deposits paid for acquisition of intangibles.

Interests in associates amounted to RMB3,389.8 million and accounted for 36.3% of our non-current assets, being Tibet Rhodiola Pharmaceutical, Shenzhen Kangmai, Eye Tech Care, and PharmaGend Global.

Intangible assets amounted to RMB2,301.3 million and accounted for 24.6% of our non-current assets, comprised exclusive distribution rights, product rights and patent rights.

Goodwill amounted to RMB1,547.9 million and accounted for 16.6% of our non-current assets, and was substantially due to the acquisition of Tianjin Kangzhe and Luqa in 2011 and 2021 respectively.

Deposits paid for acquisition of intangible assets amounted to RMB1,189.3 million and accounted for 12.7% of our non-current assets. These deposits were paid to independent third parties for certain exclusive distribution or product rights of medical products to be approved by relevant regulatory bodies for the sales in specific territories. Such deposits were paid in connection with exclusive licence agreements under which our Group gained exclusive licenses to develop and commercialise the relevant new drugs in the prescribed territories. The payment structure of such exclusive licence agreements typically involves three types of payment, in terms of upfront payments, milestone payments, and licence fees. Milestone payments are based on key clinical trial, regulatory approval and registration and commercialisation milestones while licence fees are generally structured as a percentage of sales. Deposits paid for acquisition of intangible assets typically constitute the sum of all applicable upfront payments and milestone payments as these two types of payments are generally made before a new drug enters the market for commercialisation. While each of the upfront payments and milestone payments is once-off in nature, given that there are usually a few milestones spread over the span of a few years, such deposits can be incurred over a few years, with the amount varying for each year.

Current Assets

As at 31 December 2024, our current assets amounted to RMB8,704.9 million, representing 48.2% of our total assets.

Our current assets comprised mainly bank balances and cash, financial assets at fair value through profit or loss, trade and other receivables and prepayments, inventories, and amounts due from associates.

Bank balances and cash amounted to RMB3,706.5 million and accounted for 42.6% of our current assets, and include short term deposits for the purpose of meeting our Group's short term cash commitments, which carry interest at market rates ranging from 0.0001% to 4.47%.

Financial assets at fair value through profit or loss amounted to RMB2,160.1 million and accounted for 24.8% of our current assets. These comprised unlisted investments in equity securities and capital funds, and listed investments in equity securities listing on the Hong Kong Stock Exchange.

The reasons for making such unlisted and/or listed investments in equity securities is for the strategic planning and expansion of our business, which is a common practice for companies in the pharmaceutical industry. Such investments allow our Group to acquire asset rights (including intellectual property rights) or obtains exclusive licensing rights of innovative products through equity investment into and strategic cooperation with Chinese and overseas biotech or biopharma companies

in order to improve our accessibility to the differentiated innovative products worldwide. In terms of unlisted investments in capital funds by our Group, such investments are limited to the pharmaceutical industry, focusing on new technologies and business opportunities upstream and downstream to supplement our product pipelines and supply chain, while simultaneously obtaining financial returns to broaden the source of income.[2]

Trade and other receivables and prepayments amounted to RMB1,780.5 million and accounted for 20.5% of our current assets. These comprised trade receivables, purchase prepayments, bills receivables and other receivables and deposits. Please also refer to the section entitled "*Business – Credit Management*" of this Introductory Document for details on the ageing schedule of our trade receivables.

Inventories amounted to RMB768.1 million and accounted for 8.8% of our current assets. These comprised finished goods, raw materials and work in progress.

Amounts due from associates amounted to RMB284.1 million and accounted for 3.3% of our current assets. The amount is trade in nature and non-interest bearing, and comprised promotion income receivables from Tibet Rhodiola Pharmaceutical and Eye Tech Care. The outstanding amount as at 31 December 2024 was aged within three months based on the invoice date.

Current Liabilities

As at 31 December 2024, our current liabilities amounted to RMB1,516.1 million, representing 92.2% of our total liabilities.

Our current liabilities comprised mainly bank borrowings, trade and other payables and tax liabilities.

Bank borrowings amounted to RMB831.3 million and accounted for 54.8% of our current liabilities. These comprised unsecured RMB bank loans at interest rates ranging from 1.1% to 2.6% per annum.

Trade and other payables amounted to RMB484.8 million and accounted for 32.0% of our current liabilities. These comprise mainly trade payables, payroll and welfare payables and accrued promotion expenses. Please refer to the section entitled "*Business – Credit Management*" of this Introductory Document for details on the ageing schedule of our trade payables.

Tax liabilities amounted to RMB166.4 million and accounted for 11.0% of our current liabilities.

Equity

As at 31 December 2024 our total equity amounted to approximately RMB16,403.1 million and comprised reserves, share capital and equity attributable to non-controlling interests. Equity attributable to owners of our Company amounted to RMB16,311.5 million the increase in equity was mainly due to our profit recorded for FY2024.

Non-Current Liabilities

As at 31 December 2024, our non-current liabilities amounted to RMB128.6 million, representing 7.8% of our total liabilities.

Our non-current liabilities comprised deferred tax liabilities and lease liabilities.

Deferred tax liabilities amounted to RMB116.1 million and accounted for 90.3% of our non-current liabilities.

Lease liabilities amounted to RMB12.5 million and accounted for the remaining 9.7% of our non-current liabilities.

[2] For the avoidance of doubt, when such investments were made and to the extent they are subsisting, any decisions with respect to such investments or disposals of the same are made solely by our Group, and independently of A&B (HK) Company Limited, a company wholly owned by Mr. Lam Kong, who is an Executive Director, the chairman of our Board, and a controlling shareholder of our Company.

LIQUIDITY AND CAPITAL RESOURCES

During the Period Under Review, our Group has funded our operations and growth primarily through cash generated from operating activities, bank loans and other financing means. To ensure that our Group have sufficient funds to meet our contractual and financial obligations, we monitor our net operating cash flows and maintain a level of cash and cash equivalents deemed adequate by management for our working capital requirements.

Based on the audited consolidated statement of financial position as at 31 December 2024, our Group had bank balances and cash of RMB3,706.5 million and bank borrowings of RMB831.3 million. Please refer to the section entitled "*Capitalisation and Indebtedness*" of this Introductory Document for further details on our banking facilities.

In assessing whether our Group has sufficient working capital, our Directors have considered the following:

(a) the cash flow generated from our Group's operations of RMB1,268.5 million in FY2024;

(b) our Group's bank balances and cash of RMB3,706.5 million as at 31 December 2024;

(c) our Group's current liabilities as at 31 December 2024 of RMB1,516.1 million and our Group's ability to repay such amounts when due;

(d) the impact of the implementation of National VBP on our Group and the potential inclusion of future products; and

(e) the available banking facilities from financial institutions.

Having considered the factors above and having made due and careful enquiries, our Directors are of the opinion that the working capital available to our Group as at the date of issuance of this Introductory Document is sufficient for our present requirements and for at least 12 months after the listing of our Company on the SGX-ST.

We set out below a summary of our consolidated statement of cash flows for the Period under Review.

		Audited	
(RMB'000)	**FY2022**	**FY2023**	**FY2024**
Net cash from operating activities	3,553,243	2,502,853	1,268,547
Net cash used in investing activities	(1,178,202)	(442,276)	(615,096)
Net cash used in financing activities	(1,399,914)	(2,125,024)	(1,261,046)
Net increase/(decrease) in cash and cash equivalents	975,127	(64,447)	(607,595)
Cash and cash equivalents at the beginning of period	3,385,739	4,376,376	4,311,058
Effect of exchange rate changes on the balance of cash held in foreign currencies	15,510	(871)	3,038
Cash and cash equivalents at the end of period represented by bank balances and cash	4,376,376	4,311,058	3,706,501

FY2022

In FY2022, our net cash flows from operating activities of RMB3,553.2 million was due to operating cash inflow before working capital changes of RMB3,913.7 million, adjusted for net working capital inflow of RMB90.1 million and taxes paid of RMB450.5 million.

The net working capital inflow was mainly due to:

(a) a decrease in trade and other receivables and prepayments of approximately RMB163.9 million; and
(b) a decrease in inventories of RMB8.2 million.

The above working capital inflow was partially offset by:

(a) a decrease in trade and other payables of RMB71.9 million;
(b) an increase in amount due from an associate of RMB8.0 million; and
(c) a decrease in contract liabilities of RMB2.1 million.

Net cash used in investing activities amounted to RMB1,178.2 million, mainly due to deposits paid for acquisition of intangible assets of RMB506.6 million; purchase of financial assets at fair value through profit or loss of RMB363.6million; and acquisition of an associate of RMB233.7million. It was partially offset by interest received of RMB103.2 million.

Net cash used in financing activities amounted to RMB1,399.9 million, mainly due to repayment of bank borrowings of RMB1,428.0 million; dividends paid of RMB1,276.2million; and partially offset by new bank borrowings raised of RMB1,375.0 million.

As a result of the above, there was a net increase of approximately RMB975.1million in cash and cash equivalents. As at 31 December 2022, our cash and cash equivalents amounted to approximately RMB4,376.4 million.

FY2023

In FY2023, our net cash flows from operating activities of RMB2,502.9 million was due to operating cash inflow before working capital changes of RMB3,046.9 million, adjusted for net working capital inflow of RMB3.0 million and taxes paid of RMB547.1 million.

The net working capital inflow was due to a decrease in trade and other receivables and prepayments of RMB410.6 million, and was partially offset by the following:

(a) an increase in inventories of RMB235.8 million;
(b) a decrease in trade and other payables of RMB82.8 million;
(c) an increase in amount due from associates of RMB80.1 million; and
(d) a decrease in contract liabilities of RMB8.9million.

Net cash used in investing activities amounted to RMB442.3 million, mainly due to purchase of financial assets at fair value through profit or loss of RMB378.0 million; deposits paid for acquisition of intangible assets of RMB269.2 million; and capital injection to associates of RMB112.5 million. It was partially offset by dividend received from an associate of RMB180.4 million and interest received of RMB146.5million.

Net cash used in financing activities amounted to RMB2,125.0 million, mainly due to repayment of bank borrowings of RMB1,786.7 million; dividends paid of RMB1,360.4 million and was partially offset by new bank borrowings raised of RMB1,276.5 million.

As a result of the above, there was a net decrease of RMB64.5 million in cash and cash equivalents. As at 31 December 2023, our cash and cash equivalents amounted to RMB4,311.1 million.

FY2024

In FY2024, our net cash flows from operating activities of RMB1,268.5 million was due to operating cash inflow before working capital changes of RMB1,935.2 million, adjusted for net working capital outflow of RMB128.1million and taxes paid of RMB538.5 million.

The net working capital outflow was due to an increase in trade and other receivables and prepayments of RMB173.4 million and an increase in inventories of RMB130.5 million, and was partially offset by the following:

(a) a decrease in amount due from an associate of RMB124.1 million;
(b) an increase in trade and other payables of RMB47.8 million; and
(c) an increase in contract liabilities of RMB3.9 million.

Net cash used in investing activities amounted to RMB 615.1 million mainly due to purchase of financial assets at fair value through profit or loss of RMB 342.9 million, deposits for acquisition of intangible assets of RMB308.6 million, and purchase of intangible assets of RMB114.7 million. It was partially offset by dividend received from an associate of RMB184.7 million and interest received of RMB126.3 million.

Net cash used in financing activities amounted to RMB1,261.0 million mainly due to repayment of bank borrowings of RMB1,274.2 million, dividends paid of RMB556.2 million, and payment on repurchase of shares of RMB238.4 million and was partially offset by new bank borrowings raised of RMB831.3 million.

As a result of the above, there was a net decrease of RMB607.6 million in cash and cash equivalents. As at 31 December 2024, our cash and cash equivalents amounted to RMB3,706.5 million.

CAPITAL EXPENDITURES, COMMITMENTS AND CONTINGENT LIABILITIES

Capital Expenditures and Divestments

Our capital expenditures and divestments during the Period under Review are as follows:

(RMB'000)	FY2022	FY2023	FY2024
Capital Expenditures			
Intangible assets	506,585	275,769	423,289
Land use right	-	14,701	-
Property, plant and equipment	18,336	27,490	32,619
Total	**524,921**	**317,960**	**455,908**
Divestments			
Intangible assets	-	-	-
Land use right	-	-	-
Property, plant and equipment	2,323	318	4,087
Total	**2,323**	**318**	**4,087**

The above capital expenditures in FY2022, FY2023 and FY2024 was for acquisitions of product rights, and facilities used for management and manufacturing in the PRC, Hong Kong (China), Macau (China), Singapore and Dubai, as part of our Company's growth plan. Our Group financed these expenditures with net cash from operating activities.

Save as disclosed above, there were no other material capital expenditures and/or divestments made by our Group during the Period Under Review.

Capital Commitments

The following table shows our Group's capital commitments:

(RMB'000)	FY2022	FY2023	FY2024
Capital expenditure in respect of the acquisition of below items contracted for but not provided in the consolidated financial statements			
- property, plant and equipment	576	-	-
- financial assets at FVTPL(1)	773,150	669,080	576,499
- interests in an associate	53,883	37,466	34,541
Total	**827,609**	**706,546**	**611,040**

Note:

(1) The capital expenditure in respect of the acquisition of financial assets at FVTPL mainly relates to the amount of investment or capital contribution our Group has committed towards certain investment funds pursuant to the relevant investment agreements, and the amount of such capital expenditure depends on the call request of such investment funds. The financial assets relate to our product investments or potential business cooperation.

Save as disclosed above, there were no other capital commitments made by our Group during the Period under Review. We intend to finance such commitments primarily through internally generated funds.

Lease Commitments

Our operating lease commitments at 31 December 2022, 31 December 2023, and 31 December 2024 are as follows:

(RMB'000)	As at 31 December 2022	As at 31 December 2023	As at 31 December 2024
Not later than one (1) year	15,804	15,416	16,933
Between one (1) and five (5) years	13,491	16,671	12,510
Later than five (5) years	-	-	-

Please refer to the section entitled "*BUSINESS – Properties*" of this Introductory Document for further details.

As at 31 December 2024, we have operating lease commitments amounting to approximately RMB29.4 million. We intend to finance such commitments through internally generated funds.

Contingent Liabilities

As at the Latest Practicable Date, our Group does not have any material contingent liabilities.

BORROWINGS

All our bank borrowings are repayable within one (1) year. Our Group had bank borrowings denominated in HK$ and RMB of RMB831.3 million as at 31 December 2024.

As at 31 December 2024, our Group had the following bank borrowings**:**

(a) a loan of RMB185,000,000 from The Hongkong and Shanghai Banking Corporation Limited, with a maturity date of 27 March 2025;
(b) a loan of RMB150,000,000 from The Hongkong and Shanghai Banking Corporation Limited, with a maturity date of 24 April 2025;

(c) a loan of RMB87,000,000 from The Hongkong and Shanghai Banking Corporation Limited, with a maturity date of 23 May 2025;
(d) a loan of RMB350,000,000 from The Hongkong and Shanghai Banking Corporation Limited, with a maturity date of 15 Aug 2025;
(e) a loan of RMB16,000,000 from China CITIC Bank, with a maturity date of 13 Aug 2025;
(f) a loan of RMB3,000,000 from China CITIC Bank, with a maturity date of 13 Sep 2025;
(g) a loan of RMB22,000,000 from China CITIC Bank, with a maturity date of 22 Oct 2025;
(h) a loan of RMB12,800,000 from China CITIC Bank, with a maturity date of 13 Nov 2025; and
(i) a loan of RMB5,500,000 from China CITIC Bank, with a maturity date of 13 Dec 2025.

As at 31 December 2024, all of the above bank borrowings are not secured and bear interest at rates ranging from 1.1% to 2.65% per annum. As at 31 December 2024, our Group had unutilised banking facilities of approximately RMB1,880.3 million.

To the best of our Directors' knowledge, our Group is not in breach of any of the terms and conditions or covenants associated with any credit arrangement or bank loan which could materially affect our financial position and results or business operations, or the investments of our Shareholders. Certain of the credit facilities contain provisions which place restrictions on use of the loans, among others, to declare dividends, but none of them contain any restrictive covenants that are tied to our Directors, our Executive Officers or our Controlling Shareholders.

SEASONALITY

Our business activities are generally not subject to any significant seasonal fluctuations.

INFLATION

We believe that inflation does not have a material impact on our business, results of operations or financial condition during the Period under Review. However, if we experience a significantly higher inflation rate than we have experienced in the past, our business, results of operations and financial condition may be materially and adversely affected if we are not able to partially or fully offset such higher costs through price increases.

FOREIGN EXCHANGE RISKS MANAGEMENT

Our presentation currency is in RMB and our foreign subsidiaries, maintain their accounting books and records in respective functional currency. Currency risks arise within entities in our Group when transactions are denominated in foreign currencies such as US$, EUR and HK$.

The proportions of our revenue, purchases and operating expenses denominated in RMB and foreign currencies for each of FY2022, FY2023 and FY2024 are as follows:

Percentage of revenue denominated in	**FY2022 (%)**	**FY2023 (%)**	**FY2024 (%)**
RMB	99.7	99.9	99.9
Others	0.3	0.1	0.1
Total	**100.0**	**100.0**	**100.0**

Percentage of purchases denominated in	**FY2022 (%)**	**FY2023 (%)**	**FY2024 (%)**
EUR	50.8	53.1	53.5
RMB	46.6	43.6	32.9
US$	1.0	1.4	8.6

Others	1.6	1.9	5.0
Total	**100.0**	**100.0**	**100.0**

Percentage of operating expenses denominated in	**FY2022 (%)**	**FY2023 (%)**	**FY2024 (%)**
RMB	97.5	96.3	95.7
US$	0.5	1.2	1.2
HK$	1.2	1.4	1.7
Others	0.8	1.1	1.4
Total	**100.0**	**100.0**	**100.0**

To the extent that our Group's revenue and expenses are not naturally hedged in the same currency and that there are timing differences between invoicing and collection or payment, our Group may be exposed to foreign exchange gain or loss arising from fluctuations of US$ and EUR and HK$ against RMB, which will affect the earnings. Our Group monitors the foreign currency exchange rate movements closely to ensure that its exposure is minimised.

Our net foreign exchange exposure for FY2022, FY2023 and FY2024 are as follows:

	FY2022	**FY2023**	**FY2024**
Net foreign exchange gain (loss) (RMB'000)	(84,325)	(18,245)	(35,920)
Profit before income tax (RMB'000)	3,762,850	2,873,771	2,010,307
As a percentage of profit before income tax	(2.2%)	(0.6%)	(1.8%)

Our Group is mainly exposed to currency risk of the US$, EUR and HK$. For our Group's subsidiaries in China, the conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. Any significant exchange rate fluctuations of foreign currencies against RMB may have a financial impact on our Group. Our Group closely monitors the fluctuation of exchange rates and reviews the foreign currency risk management strategy from time to time, the management will consider hedging foreign currency exposure as appropriate. Our Group had entered into certain foreign currency forward contracts to hedge foreign currency risk. Our Group uses interest rate swaps to minimise its exposure to interest rate movements on its variable-rate bank borrowings. The interest rate swaps and the corresponding bank borrowings have the same terms, such as principal amounts, interest rate spread, start dates, repayment data, maturity and counterparties, and our Directors consider that the interest rate swaps are highly effective hedging instruments.

TREND INFORMATION

The following discussion about our prospects and trends include forward-looking statements that involve risk and uncertainties. Actual results could differ materially from those that may be projected in these forward-looking statements. See "Notice to Investors — Forward-Looking Statements".

Our Group will embrace innovation as our new mission and strengthen our business resilience, aiming for breakthroughs in every business area while reinforcing our competitive advantages in specialty therapeutics. In the future, we will maintain our focus on differentiated innovation driven by clinical needs, actively seek opportunities for industry collaboration, independent R&D, and strategic business partnership. By partnering with global innovators, we will continuously expand our portfolio of innovative products that meet clinical needs and have strong academic value and commercial potential. Through effective management of the entire life cycle of our innovative products, we will accelerate clinical development and registration processes, ensuring approvals and launches of innovative products.

As of the end of the Period under Review, three (3) of our original drugs were affected by National VBP – Deanxit was included in the seventh batch of National VBP, while Plendil and Ursofalk were included

in the eighth batch of National VBP. The seventh and eighth batches of National VBP were implemented in November 2022 and July 2023, respectively, and Deanxit, Plendil, and Ursofalk did not win bids due to higher quoted prices, which had a material adverse impact on our revenue and margins in FY2023 and FY2024.

We will enhance our commercialisation platform in key specialty areas through vertical and horizontal growth, strengthening our capabilities in cardiovascular, central nervous system, and gastroenterology businesses. For our independently operated ophthalmology segment, we aim to become a "leader in the specialty therapeutic markets". We will align our efforts with the ecosystem of innovative products, reinforce an academic and professional promotion model, using large-scale case studies to strengthen clinical evidence and build brand influence.

We will share and expand our successful experiences from the China market, along with high-quality products and innovative technologies, into emerging markets, primarily in Southeast Asia. We will accelerate the development of an innovative platform that integrates "R&D, manufacturing, and commercialisation", empowering Chinese and global pharmaceutical companies to implement their "overseas development" strategies. This approach will open greater market opportunities for our Group and gradually establish a commercialisation network accessible to emerging markets worldwide, while building a collaborative and mutually beneficial pharmaceutical innovation ecosystem.

Save for the above, *our Group does not expect any significant trends, uncertainties, demands, commitments, or events in production, sales and inventory, and in the costs and selling prices of products and services since 31 December 2024 that would cause any material effect on our net sales or revenue, profitability, liquidity or capital resources.*

Save as disclosed above and in the sections entitled "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Pharmaceutical Industry and Prospects", "Business — Competitive Strengths", and "Business — Business Strategies and Future Plans" of this Introductory Document and barring any unforeseen circumstances, we are not aware of any other known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on our revenue, profitability, liquidity or capital resources.

NEW ACCOUNTING STANDARDS AND CHANGES IN ACCOUNTING POLICIES

Please refer to Notes 2 and 3 for each of the Independent Auditor's Reports for FY2022, FY2023 and FY2024 in Appendix A entitled the *"Independent Auditor's Report and the Audited Consolidated Financial Statements as at and for each of the years ended 31 December 2022, 2023 and 2024*" to this Introductory Document for details of our Group's accounting policies and changes in our accounting policies for the Period under Review.

In FY2024, our Group has applied the following amendments to IFRS Accounting Standards for the first time, which are mandatorily effective for the annual periods beginning on 1 January 2024 for the preparation of the consolidated financial statements:

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

The application of the amendments to IFRS Accounting Standards in FY2024 has had no material impact on our Group's financial positions and performance for FY2024 and prior years and/or on the disclosures set out in these consolidated financial statements.

Save as required for compliance with applicable laws, rules and regulations, there is no intention to change our accounting policies after our listing which may result in material adjustments to the financial statements disclosed in this Introductory Document.

PHARMACEUTICAL INDUSTRY AND PROSPECTS

OVERVIEW OF THE PHARMACEUTICAL INDUSTRY

In 2023, China's total health expenditure reached RMB9,057.6 billion, accounting for 7.2 percent of the annual GDP and reflecting a 19.8% increase from RMB7,559.4 billion in 2021.[3] [4] In terms of household income, the per capita disposable income of residents in China grew 11.6% from RMB 35,128 in 2021 to RMB39,218 in 2023.[5] [6] The corresponding per capita household consumption expenditure on healthcare and medical services grew 16.3% from RMB2,115 in 2021 (accounting for 8.8% of per capita household consumption expenditure) to RMB2,460 in 2023 (accounting for 9.2% of per capita household consumption expenditure).[3] [4]

The PRC government has been implementing healthcare reforms to improve the accessibility and quality of pharmaceutical products and healthcare services, with initiatives focused on expanding insurance coverage, upgrading healthcare infrastructure, and improving affordability of drugs. At the same time, government policies, such as the 14th Five-Year Plan for National Drug Safety and High-Quality Development, aim to incentivise pharmaceutical innovation and enhance drug quality, particularly for innovative drugs and first-to-market generic drugs.[7] The favourable policies and regulations are expected to increase the market share of such drugs and drive the development of the PRC's pharmaceutical industry.

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[3] Information obtained from <https://www.nhc.gov.cn/guihuaxxs/c100133/202408/0c53d04ede9e4079afff912d71b5131c/files/1734002454304_67772.pdf> (latest accessed on 19 June 2025). National Health Commission of the People's Republic of China has not provided its consent to the inclusion of the information extracted from its website for the purpose of Section 249 of the SFA, and it is therefore not liable for such information under Sections 253 and 254 of the SFA. While our Company, our Directors and the Issue Manager have taken reasonable actions to ensure that the information from National Health Commission of the People's Republic of China has been reproduced in its proper form and context, and that such information is extracted accurately and fairly in this Introductory Document, neither our Company, our Directors, the Issue Manager nor any other party has conducted an independent review of such information contained in that website or verified the accuracy of the contents of the relevant information.

[4] Information obtained from <https://www.gov.cn/xinwen/2022-07/12/content_5700670.htm> (latest accessed on 19 June 2025). The State Council of the People's Republic of China has not provided its consent to the inclusion of the information extracted from its website for the purpose of Section 249 of the SFA, and it is therefore not liable for such information under Sections 253 and 254 of the SFA. While our Company, our Directors and the Issue Manager have taken reasonable actions to ensure that the information from the State Council of the People's Republic of China has been reproduced in its proper form and context, and that such information is extracted accurately and fairly in this Introductory Document, neither our Company, our Directors, the Issue Manager nor any other party has conducted an independent review of such information contained in that website or verified the accuracy of the contents of the relevant information.

[5] Information obtained from <https://www.stats.gov.cn/english/PressRelease/202201/t20220118_1826649.html> (latest accessed on 19 June 2025). National Bureau of Statistics of China has not provided its consent to the inclusion of the information extracted from its website for the purpose of Section 249 of the SFA, and it is therefore not liable for such information under Sections 253 and 254 of the SFA. While our Company, our Directors and the Issue Manager have taken reasonable actions to ensure that the information from National Bureau of Statistics of China has been reproduced in its proper form and context, and that such information is extracted accurately and fairly in this Introductory Document, neither our Company, our Directors, the Issue Manager nor any other party has conducted an independent review of such information contained in that website or verified the accuracy of the contents of the relevant information.

[6] Information obtained from <https://www.stats.gov.cn/english/PressRelease/202402/t20240201_1947120.html> (latest accessed on 19 June 2025). National Bureau of Statistics of China has not provided its consent to the inclusion of the information extracted from its website for the purpose of Section 249 of the SFA, and it is therefore not liable for such information under Sections 253 and 254 of the SFA. While our Company, our Directors and the Issue Manager have taken reasonable actions to ensure that the information from National Bureau of Statistics of China has been reproduced in its proper form and context, and that such information is extracted accurately and fairly in this Introductory Document, neither our Company, our Directors, the Issue Manager nor any other party has conducted an independent review of such information contained in that website or verified the accuracy of the contents of the relevant information.

[7] Information obtained from <https://english.nmpa.gov.cn/2021-12/30/c_736377.htm> (latest accessed on 19 June 2025). National Medical Products Administration of China has not provided its consent to the inclusion of the information extracted from its website for the purpose of Section 249 of the SFA, and it is therefore not liable for such information under Sections 253 and 254 of the SFA. While our Company, our Directors and the Issue Manager have taken reasonable actions to ensure that the information from National Medical Products Administration of China has been reproduced in its proper form and context, and that such information is extracted accurately and fairly in this Introductory Document, neither our Company, our Directors, the Issue Manager nor any other party has conducted an independent review of such information contained in that website or verified the accuracy of the contents of the relevant information.

The PRC's pharmaceutical market has grown steadily in recent years, reaching RMB845.4 billion in revenue in 2024, with a CAGR of 10.7% from 2020. It is expected to reach RMB1049.7 billion in revenue in 2028, representing a projected CAGR of 5.6% from 2024.[8]

PROSPECTS

Our Company regards the following as the key growth drivers for the PRC's pharmaceutical industry:

(i) Rising disposable income and health awareness

China's economy is continuously growing, with nationwide per capita disposable income reaching RMB41,314 in 2024, representing a 5.3% year on year growth in nominal terms.[6] The COVID-19 outbreak has heightened public health awareness and further shifted demand from necessity and therapeutic treatments to preventive care and healthcare management. The combination of growing disposable income, increased health awareness, and a higher willingness to pay for medical care is fuelling the growth of healthcare consumption and the pharmaceutical market in China.

(ii) Aging population

China's population is aging rapidly, with the elderly population (i.e., aged 65 years and above) increasing from 169.8 million in 2019 (representing 12.1% of the total population) to 202.0 million in 2023 (representing 14.3% of the total population).[9] The accelerating aging trend, along with the prevalence of chronic diseases such as cardiovascular diseases, diabetes and dementia, is spurring demand for pharmaceuticals, medical products and services related to age-related illnesses in China.

(iii) Favourable policies and improving coverage of social medical insurance

The PRC government has issued a series of regulations and policies related to drug approval, registration, pricing, manufacturing, procurement, delivery and distribution to promote innovation, healthy competition and sustainable development in the pharmaceutical industry. Additionally, government policies have been implemented to continuously expand the coverage and the benefits of the Basic Medical Insurance, including the ongoing inclusion of drugs in the catalogue of medicines covered by the national medical insurance system, which improves patient affordability and further boosts the demand for pharmaceutical products and medical services in China.

(iv) Growing investments in pharmaceutical R&D and a vast talent pool

The PRC government and private sector have significantly increased funding for pharmaceutical innovation, fostering advancements in drug discovery, research and

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[8] Information obtained from <https://www.statista.com/outlook/hmo/pharmaceuticals/china> (latest accessed on 19 June 2025). Statista has not provided its consent to the inclusion of the information extracted from its website for the purpose of Section 249 of the SFA, and it is therefore not liable for such information under Sections 253 and 254 of the SFA. While our Company, our Directors and the Issue Manager have taken reasonable actions to ensure that the information from Statista has been reproduced in its proper form and context, and that such information is extracted accurately and fairly in this Introductory Document, neither our Company, our Directors, the Issue Manager nor any other party has conducted an independent review of such information contained in that website or verified the accuracy of the contents of the relevant information.

[9] Information obtained from <https://databank.worldbank.org/country/CHN/556d8fa6/Popular_countries > (latest accessed on 19 June 2025). World Bank Group has not provided its consent to the inclusion of the information extracted from its website for the purpose of Section 249 of the SFA, and it is therefore not liable for such information under Sections 253 and 254 of the SFA. While our Company, our Directors and the Issue Manager have taken reasonable actions to ensure that the information from World Bank Group has been reproduced in its proper form and context, and that such information is extracted accurately and fairly in this Introductory Document, neither our Company, our Directors, the Issue Manager nor any other party has conducted an independent review of such information contained in that website or verified the accuracy of the contents of the relevant information.

development. The surge in investment is supported by a highly skilled pool of scientists and researchers who drive cutting-edge R&D efforts. The combination of growing financial backing and a deep pool of scientific talent accelerates the development of new drugs and enhances China’s competitive edge in the global pharmaceutical market.

HISTORY AND CORPORATE STRUCTURE

OVERVIEW

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on 18 December 2006 and we have an operating history of approximately 30 years as at the Latest Practicable Date, which started prior to the incorporation of our Company in 2006. We principally engage in the research, development, manufacture, marketing, promotion and sale of pharmaceutical products.

KEY MILESTONES

A summary of our Group's key corporate milestones is set out below.

Year	Milestone
1995	• Our Group was founded.
1997	• East Kingdom, a company incorporated in Hong Kong (China) and 99% owned by Mr. Lam Kong obtained the exclusive right to promote and sell Deanxit in China. In 2002, we obtained the exclusive rights to promote and sell Deanxit in China.
1998	• East Kingdom[10] obtained the exclusive right to promote and sell Ursofalk in China. In 2002, we obtained the exclusive rights to promote and sell Ursofalk in China after such rights were fully transferred to us.
2006	• We obtained the exclusive rights to promote and sell Augentropfen Stulln Mono Eye-drops in China.
2007	• Our Shares were admitted to trading on AIM.
2008	• We obtained the exclusive rights to promote and sell XinHuoSu and Salofalk in China. • We were awarded the first "Leading Enterprises in Independent Innovation Industry" by Shenzhen Municipality. • We were first named in the Forbes list of "Asia's Best 200 Enterprises Under a Billion".
2009	• We were first named as one of the "Top 100 Enterprises in Shenzhen".
2010	• We were listed on the HKSE and delisted from AIM. • We were first named in the Forbes list of "China's Best Up-and-Coming Enterprises". We have thereafter been named in this Forbes list for three (3) consecutive years. • We obtained the exclusive rights to promote and sell Bioflor in China.

[10] East Kingdom was voluntarily deregistered and dissolved in 2023 and it has never engaged in businesses that compete with our Group. Its primary business operations were obtaining the exclusive right to promote and sell Deanxit and Ursofalk in China in 1997 and 1998 respectively. Since 2002, our Group had entered into no further transactions or business dealings with East Kindgom.

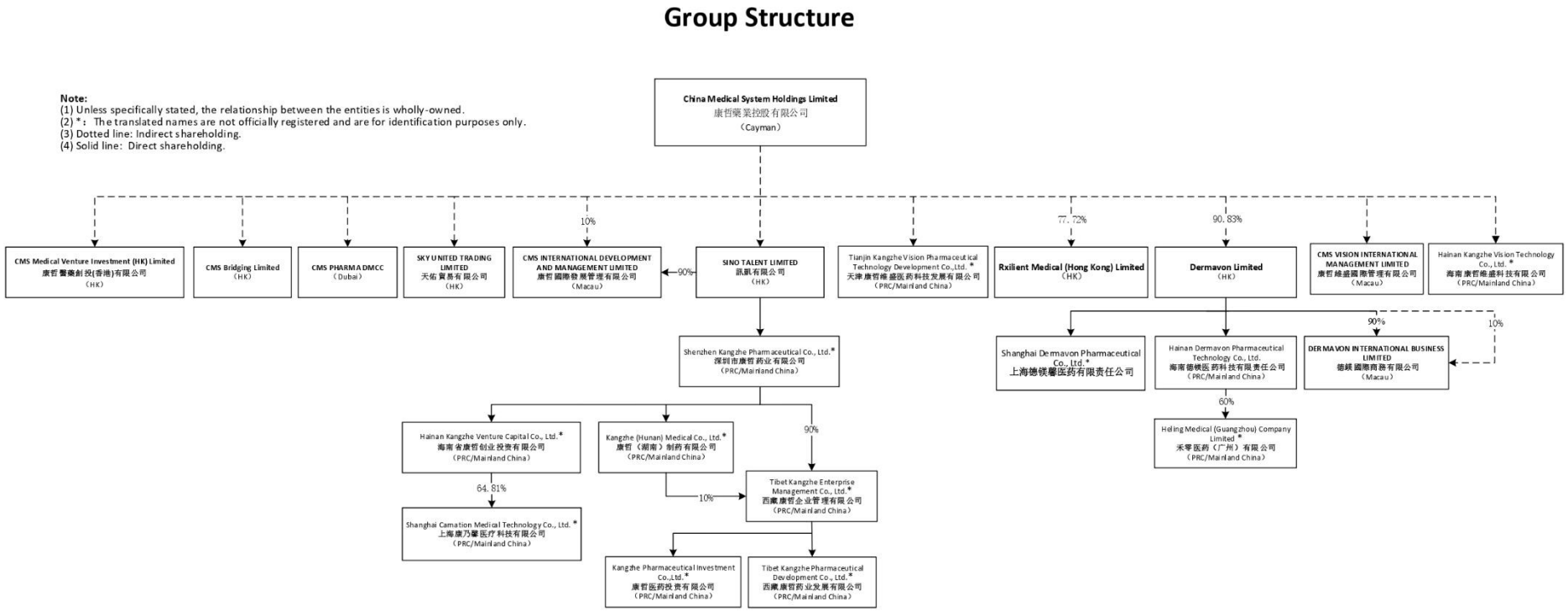
Year	Milestone
2011	• We acquired 100% equity interest of Tianjin Precede Medical Trade Development Co., Ltd. (renamed as Tianjin Kangzhe Pharmaceutical Technology Development Co., Ltd. in October 2011).
2012	• We were recognised as a “Tianjin High-tech Enterprise”.
2014	• We were included in the Morgan Stanley Capital International China Index. • We were once again named in the Forbes list of “Asia’s Best 200 Enterprises Under a Billion”. • We acquired assets of Augentropfen Stulln Mono Eye-drops, MOVICOL® and Parlodel® in China and/or other countries or regions. • We became a key shareholder of Tibet Rhodiola Pharmaceutical.
2015	• We were named in the Forbes List of “Best Enterprises Under a Billion”. • We acquired assets of Hirudoid and Combizym in China and/or other countries or regions.
2016	• We first won the “Most Valuable Pharmaceutical Listing Company”. We have thereafter won this award for three (3) consecutive years. • We were named as one of the “Top 10 Health Innovation Enterprises”. • We obtained the exclusive rights to promote and sell Plendil in China.
2017	• We were recognised as the “All-Asia Most Honoured Company” by the Institutional Investors Magazine. • Since 2009, we have been awarded the “Top 100 Enterprises in Shenzhen” for seven (7) times. • We continued to be the key shareholder of Tibet Rhodiola Pharmaceutical after completing a capital increase.
2018	• We were selected as “Most Attractive Hong Kong Stock-Connect Companies for Institutional Investors”. • We were awarded the “Shenzhen’s Most Potential Employer”. • We were first recognised as the "Honoured Company" by the Institutional Investors Magazine. • We acquired assets or product rights of Diazepam Nasal Spray and other products in China and/or other countries or regions.
2019	• We were awarded “2019 Top 10 Listed Companies with the Highest Investment Value in China Pharmaceutical Industry”, “Top 100 Innovative Pharmaceutical Enterprises in China” and “Benchmarking Enterprises in Pharmaceutical Industry at the 70th Anniversary of PRC Founding” at the China Healthcare Summit of Entrepreneurs, Scientists and Investors. • We acquired the rights of innovative products, including Tildrakizumab Injection and Cyclosporine Eye Drops 0.09%, in China and/or other countries or regions.

Year	Milestone
2020	• Our MSCI-ESG rating was first upgraded to “AA”. • We first won the “Best Pharmaceutical and Medical Company”. We have thereafter won this award for two (2) consecutive years. • We won the “Excellent Pharmaceutical Industry Award” of “Top 100 Hong Kong Listed Companies”. • We were included in “CNI Nanshan 50 Index” and “Hang Seng Large-Mid Cap (Investable) Index”. • We acquired product rights of, among others, Desidustat Tablets, Methotrexate Injection (Pre-filled Syringe) and Methylthioninium Chloride Enteric-coated Sustained-release Tablets in China and/or other countries or regions.
2021	• We were first selected as “Top 25 Listed Pharmaceutical Companies” of “Top 100 Hong Kong Listed Companies”. • We were once again recognised as the "Honoured Company" by the Institutional Investors Magazine. • We were first recognised as the top three (3) of "Best ESG" by the Institutional Investors Magazine. • Our new drug applications for Diazepam Nasal Spray, Tildrakizumab Injection, Methotrexate Injection (Pre-filled Syringe) (for psoriasis) were accepted by NMPA. • We acquired equities of skin health specialty companies and acquired product rights of Aethoxysklerol in China and/or other countries or regions.
2022	• We awarded the “Best Hong Kong Stock-Connect Listing Company”. • We were selected as one of the “Top 20 ESG Competitiveness of Chinese Pharmaceutical Listed Companies”. We have thereafter won this selection for two (2) consecutive years. • We were once again selected as “Top 25 Listed Pharmaceutical Companies” of “Top 100 Hong Kong Listed Companies”. • We entered into a collaboration and licence agreement for ruxolitinib cream in China, Hong Kong (China), Macau (China), Taiwan (China) and eleven Southeast Asian countries. • We obtained exclusive product rights of the dermatology-grade skincare products "Heling Soothing Series" and EyeOP1 Glaucoma Treatment Device in China, 11 Southeast Asian countries and/or other countries or regions. • We acquired global assets of VEGF/ANG2 Tetravalent Bispecific Antibody.
2023	• We were included in the first “Sustainability Yearbook (China)” of S&P Global. • We were included in the “Hang Seng Innovative Drug Index”. • NDA of Methotrexate Injection (Pre-filled Syringe) (RA indication) and Methylthioninium Chloride Enteric-coated Sustained-release Tablets were accepted in China. • Innovative drugs VALTOCO, ILUMETRI and METOJECT (Psoriasis indication) were approved for marketing in China, and have been newly included in NRDL.

Year	Milestone
	• We announced the first prescription of ruxolitinib cream for vitiligo in China under Boao Super Hospital's Early Access Program.
	• We acquired the exclusive licence of Cidine, and obtained the permanent exclusive promotion right of an Anti-Ischemic Stroke Class 1 Innovative Drug, Y-3 for Injection in China
	• We entered into a joint venture to jointly develop and commercialise Toripalimab in Southeast Asia.
	• We collaborated with Pharmaron to promote the acquisition of a manufacturing plant in Singapore and CDMO business in Southeast Asia.
2024	• We were once again included in the "Sustainability Yearbook (China)" of S&P Global and maintained MSCI ESG "AA" Rating.
	• We obtained the exclusive licence of marketed innovative drug 'VELPHORO' in China.
	• Our in-house developed innovative drugs, Highly Selective TYK2 Inhibitor CMS-D001 and GnRH Receptor Antagonist CMS-D002, were approved for drug clinical trials in China.
	• We entered into a collaboration and licence agreement for povorcitinib in China, Hong Kong (China), Macau (China), Taiwan (China) and eleven Southeast Asian countries.
	• The NDA of ruxolitinib cream (vitiligo indication) was accepted by the China NMPA, and it was approved for marketing in Macau (China) and Hong Kong (China) for the treatment of vitiligo.
	• Our new drug applications for LUMEBLUE and RA Indication of Methotrexate Injection, were approved for marketing in China.
	• Our new drug application for Desidustat Tablets was accepted in China.
	• Our in-house developed innovative drug, Dual Agonist of Glucagon-Like Peptide-1 Receptor CMS-D005, was approved for drug clinical trials in China.
	• We obtained the exclusive rights of ABP-671 for the treatment of gout and hyperuricemia in China, Hong Kong (China) and Macau (China).
2025	• We were included for the first time in the global edition of "S&P Global Sustainability Yearbook".
	• We obtained the exclusive rights of ZUNVEYL for the treatment of mild-to-moderate dementia of the Alzheimer's type in Asia (excluding Japan and the Middle East region), Australia and New Zealand.
	• We obtained the exclusive rights of MG-K10 for the treatment of type 2 inflammatory diseases in China, Hong Kong (China), Macau (China), Taiwan (China) and Singapore.

CORPORATE STRUCTURE

The following diagram illustrates our group structure with our Principal Subsidiaries: -



Note:

(1) Unless specifically stated, the relationship between the entities is wholly-owned. The indirect shareholdings of our Company in the various Principal Subsidiaries are held through ownership of equity of other subsidiaries and not through contractual arrangements.

The following table sets out certain information on our Principal Subsidiaries as at the Latest Practicable Date:

Name	Country or Region of Incorporation/ Constitution and Principal Place of Business	Principal Activities	Proportion of Ownership Interest/ Voting Rights held by our Company
CMS INTERNATIONAL DEVELOPMENT AND MANAGEMENT LIMITED	Macau, China	Trading of drugs	100.00%
CMS VISION INTERNATIONAL MANAGEMENT LIMITED	Macau, China	Trading of drugs	100.00%
DERMAVON INTERNATIONAL BUSINESS LIMITED (formerly known as CMS SKINHEALTH INTERNATIONAL BUSINESS LIMITED)	Macau, China	Trading of drugs	90.83%(1)
CMS PHARMA DMCC	Dubai, United Arab Emirates	Trading in medicines and pharmaceutical products (permitted only outside the United Arab Emirates, except within the Dubai Multi Commodities Centre)	100.00%
SHENZHEN KANGZHE PHARMACEUTICAL CO., LTD. (深圳市康哲药业有限公司)	PRC	Marketing, promotion and sale of drugs	100.00%
TIANJIN KANGZHE VISION PHARMACEUTICAL TECHNOLOGY DEVELOPMENT CO., LTD. (天津康哲维盛医药科技发展有限公司)	PRC	Marketing, promotion and sale of drugs	100.00%
KANGZHE (HUNAN) MEDICAL CO., LTD. (康哲（湖南）制药有限公司)	PRC	Production of medicines	100.00%

TIBET KANGZHE PHARMACEUTICAL DEVELOPMENT CO., LTD. (西藏康哲药业发展有限公司)	PRC	Marketing, promotion and sale of drugs	100.00%
HAINAN DERMAVON PHARMACEUTICAL TECHNOLOGY CO., LTD. (formerly known as HAINAN KANGZHE SKINHEALTH TECHNOLOGY CO., LTD.) (海南德镁医药科技有限责任公司，前称为海南康哲美丽科技有限公司)	PRC	Marketing, promotion and sale of drugs	90.83%[2]
HAINAN KANGZHE VISION TECHNOLOGY CO., LTD. (海南康哲维盛科技有限公司)	PRC	Trading of drugs	100.00%
TIBET KANGZHE ENTERPRISE MANAGEMENT CO., LTD. (西藏康哲企业管理有限公司)	PRC	Investment holding	100.00%
HAINAN KANGZHE VENTURE CAPITAL CO., LTD. (海南省康哲创业投资有限公司)	PRC	Investment holding	100.00%
KANGZHE PHARMACEUTICAL INVESTMENT CO., LTD. (康哲医药投资有限公司)	PRC	Investment holding	100.00%
SHANGHAI CARNATION MEDICAL TECHNOLOGY CO., LTD. (上海康乃馨医疗科技有限公司)	PRC	Research and development	64.81%[3]
SHANGHAI DERMAVON PHARMACEUTICAL CO., LTD. (formerly known as SHANGHAI KANGZHE SKINHEALTH PHARMACEUTICAL	PRC	Marketing, promotion and sale of drugs	90.83%[4]

CO., LTD.) (上海德镁馨医药有限责任公司，前称为上海康哲美丽医药有限责任公司)			
HELING MEDICAL (GUANGZHOU) COMPANY LIMITED (禾零医药（广州）有限公司)	PRC	Research and development of skincare products	54.50%(5)
SINO TALENT LIMITED	Hong Kong, China	Investment holding	100.00%
SKY UNITED TRADING LIMITED	Hong Kong, China	Trading of drugs	100.00%
CMS BRIDGING LIMITED	Hong Kong, China	Investment holding	100.00%
CMS MEDICAL VENTURE INVESTMENT (HK) LIMITED	Hong Kong, China	Investment holding	100.00%
DERMAVON LIMITED (formerly known as CMS SKINHEALTH LIMITED)	Hong Kong, China	Trading of drugs	90.83%(6)
RXILIENT MEDICAL (HONG KONG) LIMITED (formerly known as LUQA BUSINESS DEVELOPMENT LIMITED)	Hong Kong, China	Trading of drugs	77.72%(7)

Notes:

(1) Our Company holds 90.83% indirect shareholding interest in this Principal Subsidiary. The remaining 9.17% indirect shareholding interest in this Principal Subsidiary is held by two (2) non-independent parties, Dermavon ESOP Limited, holding 3.67% and Dermavon ESOP Platform Limited, holding 5.5%. Dermavon ESOP Limited and Dermavon ESOP Platform Limited are both wholly owned companies of Futu Trustee Limited, and they respectively function as the vehicle for the share award scheme and share incentive scheme of Dermavon (defined below)[11].

(2) Our Company holds 90.83% indirect shareholding interest in this Principal Subsidiary. The remaining 9.17% indirect shareholding interest in this Principal Subsidiary is held by two (2) non-independent parties, Dermavon ESOP Limited, holding 3.67% and Dermavon ESOP Platform Limited, holding 5.5%.

[11] Please refer to the section entitled "*BUSINESS – OUR SPECIALITY THERAPEUTIC FIELDS FOCUSED COMMERCIALISATION PLATFORM – Our Skin Health Business – The Proposed Spin-off Listing of Our Skin Health Business"* of this Introductory Document for more details on the share award scheme and share incentive scheme of Dermavon (defined below).

(3) The remaining 35.19% ownership interest and voting rights in this Principal Subsidiary are held by an independent party, Shanghai A&S Science Technology Development Co., Ltd. (上海爱申科技发展股份有限公司).

(4) Our Company holds 90.83% indirect shareholding interest in this Principal Subsidiary. The remaining 9.17% indirect shareholding interest in this Principal Subsidiary is held by two (2) non-independent parties, Dermavon ESOP Limited, holding 3.67% and Dermavon ESOP Platform Limited, holding 5.5%.

(5) Our Company holds 54.50% indirect shareholding interest in this Principal Subsidiary. The remaining 45.50% shareholding interest in this Principal Subsidiary is held by three (3) non-independent parties, namely Guo Wei, who is the Director and Manager of this Principal Subsidiary, holding 40.0% directly, and Dermavon ESOP Limited, holding 2.20% indirectly and Dermavon ESOP Platform Limited, holding 3.30% indirectly.

(6) Our Company holds 90.83% indirect shareholding interest in this Principal Subsidiary. The remaining 9.17% indirect shareholding interest in this Principal Subsidiary is held by two (2) non-independent parties, Dermavon ESOP Limited, holding 3.67% and Dermavon ESOP Platform Limited, holding 5.5%.

(7) Our Company holds 77.72% indirect shareholding interest in this Principal Subsidiary through six (6) intermediate entities. This ownership is based on equity, and not contractual arrangements. The remaining 22.28% indirect shareholding interest in this Principal Subsidiary are held by two (2) non-independent parties, namely LC Healthcare Fund III, L.P. and LC Healthcare SEA Fund I, L.P, each holding 8.76%, and one (1) independent party, namely TG Sino-Dragon Fund II, holding 4.76%.

The following table sets out certain information on our associated company, Tibet Rhodiola Pharmaceutical, as at the Latest Practicable Date:

Name	Country or Region of Incorporation/ Constitution and Principal Place of Business	Principal Activities	Proportion of Ownership Interest/ Voting Rights held by our Company
TIBET RHODIOLA PHARMACEUTICAL HOLDING CO. (西藏诺迪康药业股份有限公司)	PRC	Production of medicines and sale of drugs	37.36%(1)

Notes:

(1) Our Company holds 37.36% indirect shareholding interest in this associated company through three (3) intermediate entities. This ownership is based on equity, and not contractual arrangements.

BUSINESS

OUR GROUP

Our Group is a platform company linking pharmaceutical innovation and commercialisation with strong product lifecycle management capability, dedicated to providing competitive products and services to meet unmet healthcare needs.

Deeply rooted in the China's pharmaceutical market for about thirty (30) years, our Group has possessed clinical demand-oriented product identification and project management capabilities, proven clinical development and commercialisation capabilities, and substantial cash flow. We have continuously improved our operation system and professional teams covering the innovative product lifecycle management of target selection, pre-clinical candidate compounds selection, pre-clinical research and clinical development. Leveraging core advantages and driven by an innovation strategy of "Collaborative R&D and In-house R&D", we continuously develop global First-in-class and Best-in-class innovative products, and efficiently promote their clinical development and commercialisation processes, empowering the continuous transformation of scientific research outcomes into clinical practices and benefiting patients. As of 31 December 2024, our Group had deployed approximately forty (40) innovative products with differentiated competitive advantages and at various developmental stages, among which, five (5) innovative drugs (covering six (6) indications) have been successfully approved for marketing in China and are currently entering clinical application.

We are focused on specialty therapeutic fields, such as cardio-cerebrovascular, central nervous system, gastroenterology, dermatology, and ophthalmology. Based on the professional academic foundation and medical evidence of our products, we have built brand strength of our products through our mature commercialisation system, extensive channel coverage and specialty therapeutic fields focused promotional teams, and have gained successful academic profile and advantageous market positions for our major marketed products. Rooted in the specialty areas while expanding our business boundaries, our Group continues to strengthen our competitiveness in the cardio-cerebrovascular/gastroenterology business, and simultaneously promotes the scale efficiency of skin health business (in connection with, and as part of its transition towards the Proposed Spin-off (please refer to the section entitled "*BUSINESS – OUR SPECIALITY THERAPEUTIC FIELDS FOCUSED COMMERCIALISATION PLATFORM – Our Skin Health Business – The Proposed Spin-off Listing of Our Skin Health Business"* of this Introductory Document for more details)) and ophthalmology business, aiming to gain leading positions in specialty therapeutic markets. Additionally, our Group's Southeast Asia business continues to improve its business structure that comprehensively covers "R&D, manufacturing, and commercialisation", fully empowering the internationalisation of quality Chinese and global pharmaceutical products to Southeast Asia.

As we have gradually mitigated the impact of the inclusion of certain of our products under the policy of National VBP, our Group has entered the "New Product Era", with large-scale commercialisation of our innovative products and continuous growth of our non-National VBP exclusive products. In 2024, in the case that all medicines were directly sold by our Group, the combined sales revenue of non-National VBP exclusive products and innovative products accounted for approximately 52.8% of our Group's revenue, in terms of RMB4.6 billion. With a healthier product portfolio, our Group is embracing a sustainable quality development cycle. Please refer to the risk factor entitled "*We may be adversely affected by the complexity and changes in the laws and regulations on pharmaceutical business in the jurisdictions where we operate in.*" for further details on the National VBP Policy and its impact on products included in the National VBP.

We have been included into the Hang Seng Large-Mid Cap (Investable) Index and Hang Seng Innovative Drug Index since 2020 and 2023 respectively.

OUR MISSION

Our mission is to provide competitive products and services to meet unmet healthcare needs.

RESEARCH AND INNOVATION DEVELOPMENT

In 2018, our Group initiated an innovation product development strategy. Through iterative strategy refinement, we have articulated a strategic position as “a platform linking pharmaceutical innovation and commercialisation” and promoted our innovation development through a two-wheel drive of “Collaborative R&D and In-house R&D”. Leveraging our commercialisation gene, deep market understanding, and extensive academic resources in specialty therapeutic fields, we are able to identify unmet clinical needs with a sharp market insight, and locate differentiated products with social and economic value to address these needs through accurate product evaluation. Meanwhile, we efficiently promote the clinical development and large-scale clinical application of these innovative products, achieving a rapid transformation of scientific outcomes into social and commercial values.

Our Group has cooperated with innovation forces and pipelines worldwide to develop innovative products with promising commercial potentials, aiming to form an influential innovation R&D ecosystem. In order to make the most of our respective strengths and improve the efficiency of innovative R&D, our Group is responsible for clinical development, registration and commercialisation of these collaborative products in China and other authorised markets. As of 31 December 2024, we have collaborated with about twenty (20) partners with R&D capability globally.

Since 2021, leveraging on our operation system and professional teams covering the innovative product lifecycle management of target selection, pre-clinical candidate compounds selection, pre-clinical research to clinical development, our Group has focused on the novel technologies and targets in specialty therapeutic areas, initiating independent innovative research. As of 31 December 2024, our Group has successfully advanced approximately twenty (20) in-house R&D projects, among which, four (4) innovative drugs have entered clinical development stages in China. Our Group has also applied for more than 100 “drug substance” patents globally in more than sixty (60) countries and regions.

Concurrently, our Group has enhanced our management efficiency and capabilities of the entire lifecycle of innovative products, by promoting standardisation and digitalisation development of our product management and commercialisation systems and adopting artificial intelligence. These efforts are expected to support our Group to deliver more novel and quality drugs with greater efficiency and cost control, expediting the access of innovative therapies to a wider range of patients.

OUR INNOVATIVE PRODUCTS

As of 31 December 2024, our Group’s innovative portfolio approved for marketing in China has been expanded into five (5) products (covering six (6) indications), including (i) Diazepam Nasal Spray ("**VALTOCO**"), (ii) Tildrakizumab Injection ("**ILUMETRI**"), (iii) Methotrexate Injection ("**METOJECT**"), (iv) Sucroferric Oxyhydroxide Chewable Tablets ("**VELPHORO**") and (v) Methylthioninium Chloride Enteric-coated Sustained-release Tablets ("**LUMEBLUE**"). All five (5) products are entering clinical application.

Meanwhile, our Group has steadily advanced the clinical development of innovative pipelines. As of 31 December 2024, Desidustat Tablets and ruxolitinib phosphate cream (the "**ruxolitinib cream**") are under review for their New Drug Application ("**NDA**") in China and about ten projects have been prepared or are launched for registrational clinical trials, mainly randomised controlled trials ("**RCT**"). Pursuant to our Group’s in-house R&D projects, four (4) in-house R&D innovative drugs have entered clinical development stages in China.

Innovative Products Approved for Marketing, and Entering Clinical Application in China

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

In June 2024, LUMEBLUE was approved for marketing in China, which is indicated to enhancing visualisation of colorectal lesions in adult patients undergoing screening or surveillance colonoscopy. Our Group is actively promoting the commercialisation of the product, including its market access and academic promotion.

LUMEBLUE is an oral diagnostic drug that uses patented multi-matrix technology to deliver active substances directly to the colon and release them locally in a controlled manner. As an enhancer dye, LUMEBLUE increases the contrast between colorectal lesions and healthy mucosa. The result of primary study endpoint of the Phase III clinical trial for LUMEBLUE, in terms of the detection rate of non-polypoid colorectal lesions (the proportion of subjects with at least one histologically proven non-polypoid colorectal lesion), showed it was 51% in the test group (the product was given) and 41.2% in the control group (placebo was given). The difference between the two groups was statistically significant ($P<0.0001$), which indicated that the product could significantly increase the detection rate of non-polypoid colorectal lesions. In addition, the product can be taken during the bowel preparation step, ensuring that colorectal staining is completed by the time colonoscopy is conducted. This not only enhances the detection rate of colorectal lesions but also potentially simplifies the colonoscopy procedure.

In December 2020, our Group signed a licence, collaboration and distribution agreement with Cosmo Technologies Ltd., and gained an exclusive licence to develop and commercialise LUMEBLUE and use the product mark in association with the commercialisation of the product in China, Hong Kong (China), Macau (China) and Taiwan Region (China) ("**Taiwan (China)**"). This agreement was amended in March 2023 to expand the territorial coverage to include twenty-six (26) countries in the Pan-Asia region.

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

In June 2023, VALTOCO was approved for marketing in China. In December 2023, it was included in the Category B of the NRDL, and subsequently issued its prescriptions in hospitals across China. In 2024, different levels of academic activities have been held focusing on its unique clinical value of "Convenient Pre-hospital Seizure Rescue". Meanwhile, "CAAE Epilepsy Care Fund - CMS Fund Project" was established to support the care and educational activities for epilepsy patients, enhancing doctors and patients' awareness of the product. As of 31 December 2024, VALTOCO has been included in the "Chinese Expert Consensus on Diagnosis and Treatment of Dravet Syndrome" published in the *Journal*

of Epilepsy[12] and the "Strategies of Diagnosis and Treatment of Dravet Syndrome" published in the *Chinese Journal of Pediatrics*[13].

VALTOCO is the first drug approved by the China National Medical Products Administration ("**NMPA**") for the treatment of cluster seizures. It is indicated for the acute treatment of intermittent, stereotypic episodes of frequent seizure activity (i.e. seizure clusters, acute repetitive seizures) that are distinct from a patient's usual seizure pattern in patients with epilepsy six years of age and older.

VALTOCO is a proprietary formulation of diazepam administered through the nasal mucosa, with high bioavailability, outstanding absorbability, tolerability and reliability. VALTOCO's product formulation incorporates a combination of Vitamin E-based solvents and Intravail® absorption enhancer. Intravail® transmucosal absorption enhancement technology enables the non-invasive delivery of a broad range of proteins, peptides and small-molecule drugs.

In 2016, A&B (HK) Company Limited ("**A&B**"), a company wholly-owned by a controlling shareholder of our Company obtained the asset rights (including intellectual property rights) of VALTOCO for China, Hong Kong (China), Macau (China), Taiwan (China) and Singapore. In 2018 and 2022, A&B transferred such rights to our Group without any upfront payment. The asset assignment agreements signed on 28 August 2023 specified the detailed terms of the transfer and the assignment of all the assets related to the product in the above-mentioned territories to our Group, and our Group would pay A&B royalty payments calculated based on the net sales of VALTOCO sold by our Group in these territories.

(c) Tildrakizumab Injection (ILUMETRI) – a monoclonal antibody specifically targeting to the p19 subunit of IL-23, can provide a new treatment option for psoriasis patients, with lower dosing frequency

In May 2023, ILUMETRI was approved for marketing in China. In December 2023, it was included in the Category B of the NRDL, and subsequently issued its prescriptions in hospitals across China. In 2024, focusing on its differentiated advantages in low injection frequency and good long-term efficacy, our Group has accelerated ILUMETRI's deployment in hospitals and dual-channel pharmacy. As of 31 December 2024, the product has been unanimously recommended by authoritative psoriasis diagnosis and treatment guidelines in China, the United States, Europe, the United Kingdom, Germany and other countries and regions around the world, and also recommended by the "Guideline for the treatment of

[12] January 2024, Journal of Epilepsy, Volume 10, Issue 1, Jiang Yuwu, Zhang Yuehua, Wu Ye, Fang Fang, Tian Xiaojuan, Zhang Jianzhao, Liu Qing, Zhou Dong, Wang Yi, Zhou Shuizhen, Jiang Li, Liao Weiping, Liu Xiaorong, Cao Dezhi, Peng Jing, Wang Hua, Sun Dan, Wang Dong, Zheng Guo, Gao Feng, Liang Jianmin, Jia Tianming, and Liu Xiaoming

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[13] May 2023, Chinese Journal of Pediatrics, Volume 61, Issue 5, Zhang Yuehua

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psoriasis with biologics and small-molecule drugs in China (2024)" issued by the *Chinese Journal of Dermatology*[14].

ILUMETRI is a humanised lgG1/κ monoclonal antibody designed to selectively bind to the p19 subunit of interleukin-23 (IL-23) and inhibit its interaction with the IL-23 receptor, thereby suppressing the release of pro-inflammatory cytokines and chemokines. The product is approved by China NMPA for the treatment of adults with moderate-to-severe plaque psoriasis who are candidates for systemic therapy or phototherapy. ILUMETRI requires only four administrations per year during its maintenance period, which may lead to higher patient compliance.

Results from a Phase III clinical trial in China for the basic and extended study of Tildrakizumab Injection demonstrated that, the primary efficacy assessment indicator PASI 75 response rate continued to increase over treatment time. The PASI 75 response rate reached a high level after 28 weeks of treatment with ILUMETRI and maintained at 91.3% at week 52, and the product showed good long-term safety and tolerance. This study results were officially published in the academic journal *Chinese Medical Journal*[15] in January 2024.

In June 2019, our Group signed a licence agreement with a wholly-owned subsidiary of Sun Pharmaceutical Industries Ltd., which was most recently renewed in June 2025, under which we gained an exclusive, royalty-bearing licence with the right to grant sublicenses under Sun Pharma's intellectual property rights to sell, offer to sell and import (including to commercialise) the product, in China, Hong Kong (China), Macau (China) and Taiwan (China).

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

(i) for the treatment of psoriasis

Methotrexate Injection ("**METOJECT**") is China's first subcutaneously administered Methotrexate ("**MTX**") pre-filled injection. It has been approved by China NMPA for the treatment of severe recalcitrant disabling psoriasis, which is not adequately responsive to other forms of therapy such as phototherapy, PUVA and retinoids. The product was included in the Category A of the NRDL in 2023, and its first prescription in China was issued in October of 2023. Meanwhile, our Group accelerated channel

[14] November 2024, Chinese Journal of Dermatology, Volume 57, Issue 11, Wang Gang and Zhang Xuejun (as the corresponding author of the Committee on Psoriasis of Chinese Society of Dermatology)

Chinese Journal of Dermatology has not provided its consent to the inclusion of the information cited or attributed to it for the purpose of Section 249 of the SFA, and is therefore not liable for such information under Sections 253 and 254 of the SFA. While our Company, our Directors and the Issue Manager have taken reasonable actions to ensure that such information has been reproduced in its proper form and context, and that such information is extracted accurately and fairly in this Introductory Document, neither our Company, our Directors, the Issue Manager nor any other party has conducted an independent review of such information or verified the accuracy of the contents of such information.

[15] 9 January 2024, Chinese Medical Journal, Chen Yu, Songmei Geng, Bin Yang, Yunhua Deng, Fuqiu Li, Xiaojing Kang, Mingye Bi, Furen Zhang, Yi Zhao, Weili Pan, Zhongwei Tian, Jinhua Xu, Zhenghua Zhang, Nan Yu, Xinsuo Duan, Shuping Guo, Qing Sun, Weiquan Li, Juan Tao, Zhijun Liu, Yuanyuan Yin, Gang Wang, Tildrakizumab for moderate-to-severe plaque psoriasis in Chinese patients: A 12-week randomised placebo-controlled phase III trial with long-term extension

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development and market access in hospitals and pharmacies closed-to-hospitals by reinforcing the traditional medicine position of MTX in the treatment of psoriasis, and exerting its differentiated advantages in convenience and safety of subcutaneous administration to promote the combination, substitution, or supplementation of existing therapies.

METOJECT has been unanimously recommended by many authoritative diagnosis and treatment guidelines for psoriasis indications, and was included in the "Guideline for the diagnosis and treatment of psoriasis in China (2023 edition)" published by the *Chinese Journal of Dermatology*[16], and "Expert Recommendations on Subcutaneous Methotrexate for the Treatment of Psoriasis" published by the *Chinese Journal of Dermatovenereology*[17] as of 31 December 2024.

MTX has anti-inflammatory, anti-proliferative and immunomodulatory effects, and is currently one of the most effective traditional drugs for the treatment of psoriasis. However, oral MTX has poor patient compliance due to relatively large gastrointestinal side effects. The product is administered subcutaneously (this form of administration was recommended by domestic and overseas guidelines), which can increase bioavailability, and has lower side effects than oral MTX, in particular less adverse reactions in the gastrointestinal tract, and can improve patient treatment compliance. The product is MTX pre-filled injection, which is available in a variety of small-capacity strengths, allowing patients to self-administer medication at home under the judgment and guidance of a doctor to facilitate long-term disease management.

(ii) for the treatment of rheumatoid arthritis ("**RA**")

In July 2024, the NDA for an additional indication of METOJECT for the treatment of active RA in adult patients has been approved by China NMPA. It is the first MTX prefilled injection to treat RA by subcutaneous administration in China, providing a safer, more effective, more convenient and more accurate administration scheme for RA adult patients. Following its approval, our Group emphasised the core value of MTX as a classic medication for RA, highlighting its unique advantages of formulation innovation in subcutaneous administration, reduction in gastrointestinal side effects, and improvement in bioavailability and convenience. We actively promoted its use as a substitute, supplement, or complement to existing therapies, gradually strengthening its penetration in the relevant market segments.

MTX is recognised internationally as the first choice first-line and anchor drug for the treatment of RA. The bridge clinical trial of the product in China aims to compare the changes of DAS28-ESR score of patients with RA treated by methotrexate injection and methotrexate tablets compared with the

[16] July 2023, Chinese Journal of Dermatology, Volume 56, Issue 7, Zhang Xuejun (as the corresponding author of the Committee on Psoriasis of Chinese Society of Dermatology)

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[17] January 2024, Chinese Journal of Dermatovenereology, Volume 38, Issue 1, Zhang Xuejun (as the corresponding author of the Committee of Psoriasis of Chinese Society of Dermatology)

Chinese Journal of Dermatovenereology has not provided its consent to the inclusion of the information cited or attributed to it for the purpose of Section 249 of the SFA, and is therefore not liable for such information under Sections 253 and 254 of the SFA. While our Company, our Directors and the Issue Manager have taken reasonable actions to ensure that such information has been reproduced in its proper form and context, and that such information is extracted accurately and fairly in this Introductory Document, neither our Company, our Directors, the Issue Manager nor any other party has conducted an independent review of such information or verified the accuracy of the contents of such information.

baseline, and to judge whether the non-inferiority is established. The study reached the pre-set main endpoint, and the experimental group (given the product) was not inferior to the control group (given methotrexate tablets). In addition, the results of secondary efficacy indicators suggest that the efficacy of the product is significantly better than that of methotrexate tablets or there is a trend of better. The results also show that some of the curative effects that can be observed in the early stage of the product are more obvious than those of methotrexate tablets, suggesting that the curative effect of the product appears earlier. The product has some advantages over methotrexate tablets in gastrointestinal safety, and no new safety risks have been found in the study.

In September 2020, our Group signed a distribution, supply and licence agreement with medac Gesellschaft für klinische Spezialpräparate m.b.H ("**Medac**") for METOJECT. Our Group gained an exclusive licence to use all relevant intellectual property and intellectual property rights owned or controlled by Medac or its affiliates for the development, registration and commercialisation of the products in China, Hong Kong (China), Macau (China) and Taiwan (China).

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

In February 2023, VELPHORO was approved for marketing in China for the control of serum phosphorus ("**sP**") levels in adults with chronic kidney disease ("**CKD**") on haemodialysis ("**HD**") or peritoneal dialysis ("**PD**"), and for the control of sP levels in paediatric patients 12 years of age and older with CKD stages 4-5 (defined as glomerular filtration rate <30mL/min/1.73 m²) or CKD on dialysis. In December 2023, the product was included in the Category B of the NRDL. In 2024, leveraging on our Group's academic resources in nephrology and the product's differentiated academic advantage in "achieving target with good sP levels reduction", and via multi-level academic conferences, our Group enhanced the brand recognition of VELPHORO, as a first-line treatment for reducing sP levels and paediatric drug, and achieved rapid channel development and market access nationwide.

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

In February 2024, our Group entered into a novation agreement with Vifor Fresenius Medical Care Renal Pharma Ltd. and Winhealth Investment (HK) Limited for VELPHORO, and obtained an exclusive licence of VELPHORO to register, import, promote, distribute, use and sell the product in China, Hong Kong (China), Macau (China) and Taiwan (China).

Innovative Drugs under the NDA Review Stage in China

(a) Desidustat Tablets – a novel oral HIF-PHI

As of 31 December 2024, our Group has completed the technology transfer related works for the localisation of manufacturing of Desidustat Tablets in China, and the NDA for the product was accepted by NMPA of China in April 2024.

Desidustat Tablets is a novel, oral Hypoxia-Inducible Factor-Prolyl Hydroxylase Inhibitor ("**HIF-PHI**") for treating anaemia in non-dialysis adult, CKD patients. China Phase III trial of the product has demonstrated positive results. The primary endpoint of the haemoglobin ("**Hb**") mean change from baseline to the period of Week 7-9 has indicated that, Desidustat is more effective than placebo in increasing Hb level. The product is administrated orally, thus expecting to improve the treatment compliance of patients and to meet the unmet treatment needs in the field of CKD anaemia, including both dialysis and non-dialysis patients.

In January 2020, our Group signed a licence agreement with Zydus Lifesciences Limited (formerly known as Cadila Healthcare Limited) ("**Zydus**") for Desidustat Tablets and gained a royalty-bearing, exclusive, sub-licensable licence under the licensed technology and Zydus data to develop, register and to manufacture, use and commercialise the product in China, Hong Kong (China), Macau (China) and Taiwan (China).

(b) Ruxolitinib cream – as of 31 December 2024, the product is the first and only topical JAK inhibitor approved by the United States Food and Drug Administration ("FDA") and the European Medicines Agency ("EMA") for repigmentation in vitiligo

In September 2024, the NDA for ruxolitinib cream (vitiligo indication) was accepted by the China NMPA. The Pharmaceutical Administration Bureau of Macau (China) and the Pharmacy & Poisons Board of Hong Kong (China), in April 2024 and November 2024 respectively, approved the new drug application of ruxolitinib cream for the treatment of non-segmental vitiligo with facial involvement in adults and adolescents from 12 years of age.

(i) for the treatment of vitiligo

On 12 August 2023, the product was approved by Hainan Medical Products Administration for Urgent Clinical Import, and officially became available to applicable patients in the Hainan Boao Lecheng International Medical Tourism Pilot Zone (the "**Pilot Zone**") on 18 August, for the topical treatment of non-segmental vitiligo in adults and adolescents aged 12 and above with facial involvement. Benefiting from the Early and Pilot Implementation Policy granted by the state to Hainan Free Trade Port and the Pilot Zone, patients with vitiligo in China can apply for the product in Boao Super Hospital first and receive treatment from the expert team.

In accordance with the relevant regulations of the drug real-world data application pilot programme in the Pilot Zone, a real-world study on ruxolitinib cream has been conducted in China. The results have shown positive efficacy, which is consistent with the key outcomes of global pivotal clinical studies. All secondary efficacy endpoints showed a trend of benefit consistent with the primary efficacy endpoint, and the treatment effect for vitiligo continued to improve with longer treatment duration. Meanwhile, through the safety monitoring data of the Pilot Zone, no new safety events have been identified. Adverse events mostly had severity levels of grade 1 or 2.[18] No AE leading to discontinuation or withdrawal and no serious AE related to the study drug occurred.

(ii) for the treatment of atopic dermatitis ("**AD**")

NMPA of China has approved the application to conduct a Phase III clinical trial evaluating ruxolitinib cream for the treatment of AD in March 2024. This trial is a randomised, double-blind, placebo-

[18] Based on the protocol of the study and relevant classification guidelines such as the Common Terminology Criteria for Adverse Events 5.0, severity level of grade 1 (mild) shows asymptomatic or mild symptoms, which only requires clinical observations or diagnostic assessments and do not require interventions, whereas grade 2 (moderate) shows moderate symptoms which require minimal, local or non-invasive interventions and do not have serious impact on daily life. Severity levels of grade 1 (mild) or 2 (moderate) have minimal impact and indicate good safety and tolerability of the test drug.

controlled Phase III clinical trial evaluating the efficacy and safety of ruxolitinib cream in the treatment of AD in Chinese patients. The trial, led by Shanghai Skin Disease Hospital, is conducted in 20 sites nationwide aiming to enrol approximately 192 AD patients, and has completed the dosing for the first subject in June 2024. As of 31 December 2024, the enrolment of all subjects was completed.

Ruxolitinib cream is a novel cream formulation of Incyte's selective JAK1/JAK2 inhibitor ruxolitinib. As of 31 December 2024, the product is the first and only topical JAK inhibitor approved for use in the United States, indicated for the topical treatment of nonsegmental vitiligo in adult and paediatric patients 12 years of age and older and for the topical short-term and non-continuous chronic treatment of mild to moderate AD in non-immunocompromised adult and paediatric patients 12 years of age and older whose disease is not adequately controlled with topical prescription therapies, or when those therapies are not advisable.

In December 2022, our Group entered into a collaboration and licence agreement (the "**Ruxolitinib CLA**") with Incyte, a global biopharmaceutical company, for the development and commercialisation of ruxolitinib cream. Under the Ruxolitinib CLA, our Company gained an exclusive licence to develop, register and commercialise, and a non-exclusive license to manufacture, ruxolitinib cream, and potentially other future topical formulations of ruxolitinib, in autoimmune and inflammatory dermatologic diseases, including vitiligo and atopic dermatitis, in China, Hong Kong (China), Macau (China), Taiwan (China) and certain countries in Southeast Asia.

The transfer of ruxolitinib cream from overseas production to domestic production (i.e. localisation technology transfer) is being advanced in an orderly manner by the designated CDMO.

Innovative Drugs under China's Clinical Development Stages

(a) Y-3 for Injection – a novel brain cytoprotectant that treats stroke

In 2024, Y-3 for Injection completed the Phase II clinical trial and its Phase III clinical trial was progressing steadily.

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

In August 2023, our Group entered into a collaboration agreement with Neurodawn Pharmaceutical Co., Ltd. for Y-3 for Injection, and gained an exclusive promotion right of the product in China, Hong Kong (China) and Macau (China).

(b) VEGFA/ANG2 Tetravalent Bispecific Antibody

VEGFA/ANG2 Tetravalent Bispecific Antibody is a class 1 innovative biological agent for the treatment of ocular fundus neovascular diseases. As of 31 December 2024, the product completed the Phase I clinical trial for the indication of neovascular age-related macular degeneration, and completed the dosing for the first subject in the Phase II clinical trial.

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

CMS-D001 is a highly selective TYK2 inhibitor. In January 2024, it was granted approvals for drug clinical trials in China to conduct a randomised, double-blind, placebo-controlled Phase I clinical study of single or multiple dose escalation and food effects (open) to evaluate the safety, tolerability, pharmacokinetics and efficacy of the product in healthy subjects and patients with plaque psoriasis. As of 31 December 2024, the Phase I clinical trial of the product was progressing smoothly. The product may also be developed in the future for the treatment of immune-inflammatory diseases such as AD, and systemic lupus erythematosus.

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

CMS-D002 is a GnRH receptor antagonist. In February 2024, it was granted approvals for drug clinical trials in China to conduct a randomised, double-blind, placebo-controlled Phase I clinical study of single or multiple dose escalation to evaluate the safety, tolerability, pharmacokinetics and pharmacodynamics of the product in healthy adult premenopausal female subjects. As of 31 December 2024, the Phase I clinical trial of the product was progressing smoothly. The product may be developed in the future to treat endometriosis, uterine fibroids, prostate cancer and other diseases.

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

CMS-D005 is a highly active and selective dual agonist of glucagon-like peptide-1 receptor ("**GLP-1R**") and glucagon receptor ("**GCGR**"). In November 2024, an approval was granted for our Group to conduct a clinical trial in China to evaluate the safety, tolerability, pharmacokinetic and pharmacodynamic profile of CMS-D005 in healthy and overweight/obese adult subjects in China. As of 31 December 2024, the Phase I clinical trial of the product was in preparation. The product may also be developed in the future to treat metabolic dysfunction-associated steatohepatitis, type 2 diabetes and other metabolism-related diseases.

Replenishment of Product Pipeline from 2024 Onwards

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

In 2024, our Group actively advanced the preparations for clinical development of the product in China for the treatment of non-segmental vitiligo and hidradenitis suppurativa ("**HS**"). Currently, therapeutic options for vitiligo are limited, and the condition is difficult to treat, especially for patients with extensive vitiligo. Povorcitinib offers a potential oral dosing therapeutic option for patients with non-segmental vitiligo, particularly those suffering from extensive vitiligo. HS has been included in the second batch of the Rare Disease List in China. As a chronic inflammatory and recurrent dermatologic disease, it can have a profoundly negative effect on patients' quality of life.

Meanwhile, as of 31 December 2024, Incyte was advancing the Phase III clinical trials of povorcitinib for non-segmental vitiligo HS and prurigo nodularis ("**PN**") in multiple countries outside of China. Additionally, Phase II clinical studies of povorcitinib for asthma and chronic spontaneous urticaria were also ongoing. Previously, Incyte announced that povorcitinib had met the primary endpoint in a global multi-centre Phase IIb clinical trial for non-segmental vitiligo, and it was well tolerated at all doses. The product also met the primary endpoint in a global multi-centre Phase II clinical trial for HS, demonstrating good overall tolerability and a safety profile consistent with previously reported data. In September 2024, Incyte announced that povorcitinib had met the primary endpoint in a global multi-centre Phase IIb clinical trial for PN, with minimal grade ≥3 treatment-emergent AEs or serious AEs, and it was well tolerated with no new safety signals.

In March 2024, our Group entered into a collaboration and licence agreement with Incyte, a global biopharmaceutical company, for selective oral small molecule JAK1 inhibitor povorcitinib for the treatment of non-segmental vitiligo, HS, PN and asthma and chronic spontaneous urticaria, and gained an exclusive license to research, develop, register and commercialise the product in China, Hong Kong (China), Macau (China), Taiwan (China) and eleven Southeast Asian countries and a non-exclusive licence to manufacture the product in these territories.

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

ABP-671 is a class 1 innovative chemotherapeutic drug for the treatment of gout and hyperuricemia. As of 31 December 2024, ABP-671 was in Phase IIb/III clinical trials for gout in China and overseas. The product reduces renal re-absorption of uric acid by inhibiting Urate Anion Transporter 1 ("**URAT1**"). The results of two completed Phase II clinical trials demonstrated favourable efficacy and safety profiles across multiple dose groups (ranging from 1mg to 12 mg) of ABP-671. The 2 mg once-daily dosage of the product was proved to be as effective as, or even better than, benzbromarone or febuxostat (maximum dosage of 80mg). The reduction in uric acid levels was sustained throughout the 24-hour period, with no significant safety concerns identified. ABP – 671 was anticipated to offer more effective and safer treatment alternatives for patients suffering from gout and hyperuricemia.

In December 2024, our Group entered into an exclusive commercialisation agreement with Atom Therapeutics Co., Ltd (formally known as “Jiangsu Atom Bioscience and Pharmaceutical Co., Ltd.”), pursuant to which our Group is entitled to an exclusive commercialisation right of ABP-671 in China, Hong Kong (China), and Macau (China). The initial term of the agreement commences on the effective date of the agreement and extends for ten (10) years from the date the product is first approved for market launch in China. Upon the expiration of the initial term, the agreement may be automatically renewed for an additional ten years, subject to the terms and conditions of the agreement.

(c) Benzgalantamine Delayed-release Tablets "ZUNVEYL" – the second oral therapy approved by the U.S. FDA for the treatment of Alzheimer’s disease during the past decade, which demonstrates a potentially better safety profile to improve compliance of patients

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

In January 2025, our Group entered into a license, collaboration and distribution agreement with Alpha Cognition Inc. ("**Alpha**"), pursuant to which our Group is entitled to an exclusive right to develop, register, manufacture, import, export and commercialise ZUNVEYL in Asia (excluding Japan and the Middle East region), Australia and New Zealand. The initial term of the agreement commences on the effective date of the agreement and extends for twenty (20) years. Upon the expiry of the initial term, the agreement may be automatically renewed every five (5) years unless terminated by notice from either party.

(d) Anti-IL-4Rα humanised monoclonal antibody injection ("MG-K10") – expected to be the first long-acting anti-IL-4Rα monoclonal antibody marketed in China

MG-K10 is an innovative long-acting anti-IL-4Rα humanised monoclonal antibody that simultaneously blocks the signalling of key type 2 inflammatory cytokines IL-4 and IL-13. It is used for the treatment of type 2 inflammatory diseases, including AD, asthma, prurigo nodularis, allergic rhinitis, chronic rhinosinusitis with nasal polyps, eosinophilic esophagitis, chronic obstructive pulmonary disease and so on. In November 2023, MG-K10 was announced to have entered Phase III clinical trials for adult AD in China. Additionally, MG-K10 was also registered for Phase III clinical trials for asthma and prurigo nodularis in China. In the completed Phase II clinical trials for adult moderate-to-severe AD and moderate-to-severe asthma, MG-K10 has demonstrated good efficacy and safety. Further, MG-K10 has obtained Investigational New Drug (IND) approvals for eosinophilic esophagitis, chronic rhinosinusitis with nasal polyps, and seasonal allergic rhinitis in China. Following Fc mutation, MG-K10 allows long dosing interval owing to its prolonged half-life. Currently marketed anti-IL-4Rα drugs require dosing every two weeks, whereas MG-K10 only requires dosing every four weeks, demonstrating good efficacy and safety. MG-K10 has the potential to be the Best-in-class.

In January 2025, our Group entered into a collaboration agreement with Hunan Mabgeek Biotechnology Co., Ltd. and its subsidiaries, pursuant to which our Group has obtained the co-development right as specifically agreed upon in the agreement and exclusive commercialisation right to MK-G10 in China, Hong Kong (China), Macau (China), Taiwan (China) and Singapore. The term of the agreement is perpetual.

Summary Tables of Our Innovative Pipeline

The tables below summarise the innovative products in our pipeline which (a) have been launched in China or overseas markets or are under market application review; and (b) are currently under the R&D stage.

Launched in China / Overseas or Under Marketing Application Review

Notes

* Major Marketed Regions indicate where products are approved. Our Company's rights are stated by Rights Authorized Region, and our Company has no development, commercialisation or other product rights in unauthorised regions.

** ZUNVEYL was licensed in January 2025, with the authorised region covering Asia (excluding Japan and the Middle East region), Australia, and New Zealand.

*** Taiwan (China) is not included in the rights authorised region of BCG for Intravesical Instillation.

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

Under R&D Stages

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

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

Notes

* Major Marketed Regions indicate where products are approved. Our Company's rights are stated by Rights Authorized Region, and our Company has no development, commercialisation or other product rights in unauthorised regions.

** Taiwan (China) is not included in the rights authorised region of Y-3 for Injection and ABP-671.

*** Anti-IL-4Ra humanized Monoclonal Antibody Injection (MG-K10) was licensed in January 2025, with the authorised region covering China, Hong Kong (China), Macau (China), Taiwan (China) and Singapore.

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

Active Investment to Improve Accessibility to Innovative Products

By continuously strengthening our competencies in key stages of the entire life-cycle of innovative products, including innovative medicine investment and incubation (investment, merger and acquisition ("**M&A**")), product development (project selection, clinical development and registration) and commercialisation (market access, academic promotion, and retail marketing), we have gradually transitioned to the role as a bridge connecting pharmaceutical innovation and commercialisation, and will promote platform-based development of innovative medicines to constantly launch innovative medicines and empower the development of China's innovation ecosystem.

Our Group acquires asset rights (including intellectual property rights) or obtains exclusive licensing rights of innovative products through equity investment into and strategic cooperation with Chinese and overseas biotech or biopharma companies in order to improve our accessibility to the differentiated innovative products worldwide. As at 31 December 2024, through these methods, our Group has acquired the clinical development and commercialisation rights mainly regarding Chinese market of a number of innovative products that are in different clinical development stages.

OUR SPECIALTY THERAPEUTIC FIELDS FOCUSED COMMERCIALISATION PLATFORM

Our Group benefits from verifiable successful experience in market access, academic promotion, brand shaping, retail management, and government relationship. We have focused on in-depth development of three major specialty therapeutic business areas, including: (i) cardio-cerebrovascular and gastroenterology, (ii) skin health, and (iii) ophthalmology. Our skin health business is undergoing the Proposed Spin-off – please see the section entitled "*BUSINESS – OUR SPECIALITY THERAPEUTIC FIELDS FOCUSED COMMERCIALISATION PLATFORM – Our Skin Health Business – The Proposed Spin-off Listing of Our Skin Health Business"* of this Introductory Document for more details. We have established a highly qualified, professional promotion team with strong execution, as well as extensive academic channel and resource coverage.

As of 31 December 2024, five (5) innovative drugs of our Group have entered clinical applications, covering various disease fields such as central nervous system, dermatology, nephrology, and gastroenterology, and developed synergistically with the existing marketed products in promotion team and channels. Our Group is advancing hospital development, brand building, and academic promotion driven by medical evidence. Our Group is also actively conducting the real-world studies to enrich evidence-based medicine, and rapidly improving patients' accessibility to new drugs with the help of patient aid and disease knowledge popularization programs.

Our Group has explored and specified differentiated academic advantages of our products, and optimised their promotion strategies based on market feedback and competitive analysis, providing doctors and patients with more precise disease treatment solutions. In addition, our Group has continued to invest in deployment and traffic diversion of retail markets, in order to improve the depth and breadth of pharmacy coverage. Furthermore, it has empowered pharmacies to conduct health knowledge popularization through multiple new media tools, to benefit patients in improving disease awareness and consultation rate.

Our Group adheres to the operation principle of "compliance first", closely aligning with national and industrial compliance trends to dynamically optimise our internal control system and supporting policies. Meanwhile, combined with supervisory methods such as unannounced inspection, special audit, and comprehensive audit, we implement regular employee training, behaviour management, evaluation and assessment with upgraded digital tools, achieving refined control at every operational node.

As of 31 December 2024, our Group had approximately 4,700 professional marketing and promotion related employees, with a promotion network covering over 50,000 hospitals and medical institutions, and approximately 300,000 retail pharmacies in China.

Our Cardio-cerebrovascular and Gastroenterology Business

Our Group has about thirty years of experience in the cardio-cerebrovascular and gastrointestinal fields, and established strong competitive advantages for our cardio-cerebrovascular and gastroenterology business. Having capitalised upon our mature operating structure, quality product portfolio, multi-level academic platform and network, our cardio-cerebrovascular and gastroenterology business focuses on life-threatening and chronic diseases, promoting the in-depth deployment and development in the fields of cardio-cerebrovascular and gastroenterology, while actively expanding into relevant specialty therapeutic fields, such as central nervous system, nephrology, and paediatrics, to improve clinical diagnosis and treatment in more specialty therapeutic fields.

Healthier marketed product structure

As four innovative drugs under the field of cardio-cerebrovascular, gastroenterology and related fields entered clinical application starting from 2024, our cardio-cerebrovascular and gastroenterology business has formed a healthier marketed product structure with over twelve major marketed products. The newly marketed innovation drugs: (i) VALTOCO, (ii) METOJECT, (iii) VELPHORO, and (iv) LUMEBLUE, the first three of which were included in the NRDL. See the section entitled *"BUSINESS – OUR INNOVATIVE PRODUCTS – Innovative Products Approved for Marketing, and Entering Clinical Application in China"* of this Introductory Document for more details of these four innovative drugs.

Our cardio-cerebrovascular and gastroenterology business adheres to medical evidence driven academic promotion model for its innovative products, to accelerate brand building, channel expansion and market penetration. Meanwhile, capitalising upon the successful commercialisation platform proved by strong market and academic positions for our existing marketed original and/or exclusive products, our cardio-cerebrovascular and gastroenterology business is expected to efficiently release the commercial and clinical value of innovative products, to drive its sustainable growth.

Innovative pipeline products

The registration and development process of our major innovative pipeline products under the cardio-cerebrovascular and gastroenterology or relevant fields, Desidustat Tablets and Y-3 for Injection, have been advancing smoothly. Desidustat Tablets, a novel oral HIF-PHI for treating anaemia in non-dialysis adult, CKD patients, has been under review for its NDA in China. Class I small molecule compound innovative drug Y-3 for Injection, a novel brain cytoprotectant that treats stroke, has completed the Phase II clinical trial. In July 2024, it has completed the first subject enrolment for its Phase III clinical trial. See the section entitled "*BUSINESS – OUR INNOVATIVE PRODUCTS*" of this Introductory Document for more details of the innovative drugs mentioned above.

Our Skin Health Business

Since its independent operation in 2021, the skin health business of our Group, has been closely following the pace and iteration of biotechnology innovation in the skin health field. Our skin health business adheres to a product layout strategy centred on dermatology prescription products, and continuously improves the construction of a full life-cycle skin health management platform covering dermatological treatment, and skincare through internal development and external collaboration. Our skin health business involves the R&D, production and sales of dermatology prescription products, and dermatology-grade skincare products.

Meanwhile, driven by medical science, our skin health business has continuously improved the academic evidence system for dermatology prescription products and enhanced treatment standardisation through a patient-centred operational model.

As of 31 December 2024, our skin health business had 698 employees.

The Dermatology Prescription Portfolio

Our dermatology prescription portfolio has extensively covered diseases such as vitiligo, psoriasis, atopic dermatitis, superficial phlebitis, blunt traumata, varicose veins, chronic spontaneous urticaria, prurigo nodularis and hidradenitis suppurativa.

Relying on the accumulated academic platform of existing exclusive and/or original dermatology prescription products Hirudoid (the repair agent for skin barrier with multiple functions) and Aethoxysklerol (a German original brand for the treatment of sclerotherapy of varicose veins with years of clinical application), our skin health business has continuously improved the academic promotion plan for the newly approved and marketed innovative product ILUMETRI. In addition to the regular academic promotion, the academic promotion plan focuses on ILUMETRI's treatment philosophy of "long-term disease management and delaying recurrence" for psoriasis, highlighting its differentiated advantages such as low injection frequency and good long-term efficacy. Our skin health business has also actively facilitated the development of hospital access and prescription circulation into dual-channel pharmacies, efficiently connecting the hospital and retail markets, and increasing the accessibility and convenience of patient medication.

In terms of new product layout and development, our Group is actively advancing the preparations for clinical development of povorcitinib (a selective small-molecule JAK1 Inhibitor, with the potential to provide a new treatment option for patients suffering from autoimmune and inflammatory dermatologic diseases) in China for the treatment of non-segmental vitiligo and HS. Concurrently, our Group also has completed the pivotal real-world study for ruxolitinib cream in vitiligo, and its NDA in China was formally accepted by the NMPA. These progresses are expected to further enrich the product portfolio of our skin health business in the treatment of vitiligo and other immune-mediated dermatology diseases. See the section entitled "*BUSINESS – OUR INNOVATIVE PRODUCTS*" of this Introductory Document for more details of povorcitinib and ruxolitinib cream.

Rapid Growth in Dermatology-Grade Skincare Products

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

In July 2024, our dermatology-grade skincare R&D platform, Heling Medical (Guangzhou) Company Limited, successfully launched a lipid-protective cleansing gel, which together with a soothing moisturising and repair cream, soothing repair lotion, and soothing moisturising shower oil, formed the "Heling Soothing Product Series", further perfecting sensitive skin care solutions.

Additionally, leveraging the strong brand reputation of Hirudoid, our skin health business successfully developed and launched the Hirudoid® Azelaic Acid Skincare Series, establishing a comprehensive acne-care solution that includes anti-acne essence cream, serum, facial cleanser, toner, and moisturiser. The product line has completed efficacy testing in collaboration with the Dermatology Hospital of Southern Medical University. As of 31 December 2024, the "Azelaic Acid Anti-Acne Essence Cream" had rapidly gained influence among brands in the same price range.

The Proposed Spin-off Listing of Our Skin Health Business

Our Group proposes to spin-off our skin health business in China by separately listing the shares of Dermavon Holdings Limited ("**Dermavon**" and together with its subsidiaries, the "**Spin-off Group**"), a subsidiary of our Company, on the Main Board of the HKSE (the "**Proposed Spin-off**"). The Proposed Spin-off, if proceeded, is expected to be implemented through a distribution in specie by our Company of all the shares in Dermavon that it holds to our shareholders in proportion to their respective shareholding in our Company as at a record date, to be determined by our Board of Directors for the purpose of ascertaining the entitlements of our shareholders.

The reasons for the Proposed Spin-off include, among other things, a new financing platform for the Spin-off Group, better focus of our Group's resources, independent and improved corporate images for our Group and the Spin-off Group, and enhanced business profile for the Spin-off Group. On 22 April 2025, Dermavon submitted an application to the HKSE for the listing of, and permission to deal in, the shares of Dermavon on the Main Board of the HKSE by way of introduction.

In connection with the Proposed Spin-off, Dermavon has adopted a share award scheme and a share incentive scheme for the Spin-off Group and granted share awards and restricted shares units in Dermavon to some executive officers which will only vest or be convertible upon or after, among others, the listing of Dermavon, upon which Dermavon will cease to be a subsidiary of our Group.

We have announced the Proposed Spin-off and filed the application proof of the Spin-off Group on 22 April 2025. Our Group will comply with all applicable continuing disclosure obligations to keep our Shareholders updated of any material developments in relation to the Proposed Spin-off.

Our Ophthalmology Business

Our Group's ophthalmology business, CMS Vision, has set a strategic goal to become a "leading ophthalmology pharmaceutical and device company in China". Relying on the extensive academic network and resources in the field of ophthalmology, CMS Vision focuses on ophthalmic prescription drugs, medical devices, and consumables. With a global-scale view, CMS Vision has explored innovative products with urgent clinical needs, aiming to achieve full coverage in the field of ophthalmic disease. CMS Vision continues to focus on organizational management efficiency, leveraging the advantages of an ophthalmology-focused team with professional competence, to enhance the efficiency of identifying, incubating, and commercialising innovative products on the ophthalmology pharmaceutical and device platform, and to accelerate breakthroughs in clinical diagnosis and technology in the field of ophthalmology.

As of 31 December 2024, CMS Vision had more than 400 employees.

Major Marketed Products

As of 31 December 2024, CMS Vision had two major marketed products: the exclusive medicine Augentropfen Stulln Mono Eye Drops (the representative for the treatment of asthenopia, and the safe and convenient treatment option for senile macular degeneration) and the innovative medical device EyeOP1 Glaucoma Treatment Device ("**EyeOP1**") (using high-focused ultrasound technology, which is a safe and effective innovative treatment for glaucoma utilizing a non-invasive procedure with precise targeting and convenient operations).

CMS Vision continuously advanced and deepened the brand promotion of Augentropfen Stulln Mono Eye Drops, accumulating academic evidence to strengthen market recognition, and promoting relevant treatment guidelines/consensus recommendations. Meanwhile, leveraging its mature academic platform in ophthalmology, CMS Vision accelerated market access and academic education for the EyeOP1, and focused on the differentiated clinical advantages of the innovative Ultrasonic Cyclo Plasticity UCP, such as non-invasiveness, high efficiency and safety, to enhance the brand image of EyeOP1.

Major Pipeline Products

CMS Vision's main pipeline product is the class 1 innovative biological product for the treatment of ocular fundus neovascular diseases — VEGFA/ANG2 Tetravalent Bispecific Antibody (with potential for stronger efficacy and lower dosing frequency compared to existing anti-VEGF drugs), which is currently advancing through multi-centre Phase II clinical trial in China to evaluate the safety, tolerability, pharmacokinetics, and efficacy of intravitreal injections of the VEGFA/ANG2 Tetravalent Bispecific Antibody in patients with neovascular age-related macular degeneration. As of 31 December 2024, the product had completed its Phase I clinical trial, demonstrating overall promising safety and efficacy, and had completed the first subject dosing in the Phase II clinical trial.

Additional Products

Our Group has also obtained exclusive licences in respect of four (4) regenerative products. In May 2023 and January 2024, we entered into exclusive licence agreements with Jiangsu Xihong Biopharma Co., Ltd. to promote, market and commercialise Poly-L-lactic Acid Microparticle Filler Injection, Polycaprolactone Microsphere Gel for Injection, and Calcium Hydroxylapatite Microsphere Gel for Injection in China, Hong Kong (China), Macau (China) and Taiwan (China). In June 2024, we further entered into an exclusive licence agreement with Shanghai Baiyiyuan Bioengineering Co., Ltd. to promote, market and commercialise Decellularized Extracellular Matrix Implant in China, Hong Kong (China), Macau (China) and Taiwan (China). All four (4) products are currently under various stages of clinical development in China.
Subject to obtaining the requisite regulatory approvals, these regenerative products are expected to complement our existing marketed products, including Vmonalisa.

Summary Table of Our Major Marketed Products by Product Lines

An information summary of our major marketed products as of 31 December 2024, is as follows:

Product line	Product	Indication/Function	NRDL	Product Advantage
Cardio-cerebrovascular Related Field Line	VELPHORO (Sucroferric Oxyhydroxide Chewable Tablets) (innovative drug)	For the control of sP levels in adults with CKD on haemodialysis or peritoneal dialysis, and for the control of sP levels in paediatric patients 12 years of age and older with CKD stages 4-5 or CKD on dialysis	√	The first iron-based, non-calcium phosphate binder (PB) approved by China NMPA, and filled the gap of phosphorus-lowering treatment for Chinese paediatric patients aged 12-18 years old with CKD stages 4-5 or CKD on dialysis
	VALTOCO (Diazepam Nasal Spray) (innovative drug)	For the acute treatment of intermittent, stereotypic episodes of frequent seizure activity (i.e. seizure clusters, acute repetitive seizures) that are distinct from a patient's usual seizure pattern in patients with epilepsy six years of age and older	√	The first diazepam nasal spray approved by China NMPA, that can be administered at anytime and anywhere, meeting the clinical needs for accessible and convenient treatment option for epilepsy patients with seizures cluster.
	XinHuoSu (Recombinant Human Brain Natriuretic Peptide for Injection) (exclusive product)	Acute decompensated heart failure	√	As of 31 December 2024, the only Recombinant Human Brain Natriuretic Peptide (rhBNP) medicine approved by China NMPA

	Plendil (Felodipine Sustained Release Tablets)	Hypertension and stable angina pectoris	√	The Calcium Channel Blocker (CCB) medicine suitable for Chinese patients, providing cardio-cerebrovascular protection and high vascular selectivity
	Deanxit (Flupentixol and Melitracen Tablets)	Mild-to-moderate depression, anxiety and psychosomatic affections	√	Original reference preparation, the preferred medicine for mild to moderate anxiety and depression
Gastroenterology / Autoimmune Related Field Line	METOJECT (Methotrexate Injection) (innovative drug)	For the treatment of severe recalcitrant disabling psoriasis, which is not adequately responsive to other forms of therapy such as phototherapy, PUVA, and retinoids	√	The first MTX pre-filled injection for subcutaneous administration for the treatment of psoriasis and RA has been approved by China NMPA
	LUMEBLUE (Methylthioninium Chloride Enteric-coated Sustained-release Tablets) (innovative drug)	A diagnostic drug used for enhancing visualisation of colorectal lesions in adult patients undergoing screening or surveillance colonoscopy		The first Methylthioninium Chloride Enteric-coated Sustained-release Tablets has been approved by China NMPA, and a novel solution that enhances diagnosis sensitivity in detecting lesions during colonoscopy
	Salofalk (Mesalazine)	Ulcerative colitis, including the treatment of acute exacerbations and the maintenance treatment to prevent recurrence, as well as the treatment of acute exacerbations of Crohn's disease	√	Ranking the first in the market share of aminosalicylic acid, a first-line treatment for inflammatory bowel disease in China according to 2024 IQVIA data
	Bioflor (Saccharomyces Boulardii Sachets) (exclusive product)	Diarrhoea in adults and children, as well as diarrhoea symptoms induced by intestinal flora disturbance		Probiotics preparations with abundant medical evidence and high-level recommendations from authoritative domestic and overseas guidelines
	Combizym (Oryz-aspergillus Enzyme and Pancreatin Tablets) (exclusive product)	Dyspepsia caused by a decrease in digestive enzymes	√	Effective in both stomach and intestines, the recommended digestive enzyme preparation for the replacement therapy of pancreatic exocrine insufficiency
	Cidine (Cinitapride Hydrogen Tartrate Tablets) (exclusive product)	Improve the symptoms of early satiety, postprandial fullness discomfort, and abdominal distension in mild to moderate functional dyspepsia		Dual target prokinetic agent, first-line drugs for functional dyspepsia
	Ursofalk (Ursodeoxycholic Acid Capsules)	Cholesterol gallstones in the gallbladder, cholestatic liver disease and biliary reflux gastritis	√	Original reference preparation, the preferred first-line medicine for cholestatic liver disease
Dermatology Related	ILUMETRI (Tildrakizumab Injection) (innovative drug)	For the treatment of adults with moderate-to-severe plaque psoriasis who are candidates for systemic therapy or phototherapy	√	The monoclonal antibody that specifically targets to the p19 subunit of IL-23, and only requires 4 administrations per year during its maintenance period, which may lead to higher patient compliance

	Aethoxysklerol (Polidocanol Injection)	Different specifications for sclerotherapy of different varicose veins, including spider veins, central veins of spider veins, and medium to large varicose veins		A German original brand for the treatment of sclerotherapy of varicose veins with years of clinical application
	Hirudoid (Mucopolysaccharide Polysulfate Cream) (exclusive product)	Blunt traumata with and without hematomas, and superficial phlebitis that cannot be treated by compression	√	Repair agent for skin barrier with multiple functions
Dermatology-Grade Skincare Product	Heling Soothing Product Series (including 4 products)	Skin soothing with a combination of cleansing and moisturizing which is suitable for sensitive skin		Composed of four core ingredients that can moisturise and soothe the skin, helping to repair the skin barrier
	Hirudoid®-Azelaic Acid Skincare Series (including 5 products)	Acne-prone skin care, prevention, and improvement of acne		Extension of the Hirudoid brand, to create a professional acne-care portfolio
Ophthalmology Line	Augentropfen Stulln Mono Eye Drops (Esculin and Digitalisglycosides Eye Drops) (exclusive product)	Senile macular degeneration and all forms of asthenopia		The representative medicine for the treatment of asthenopia and the safe and convenient treatment option of senile macular degeneration
	EyeOP1 Glaucoma Treatment Device (exclusive product)	Glaucoma with intraocular pressure that cannot be controlled by drugs and surgery		Using high-focused ultrasound technology, which is a non-invasive procedure with precise targeting and convenient operations, providing a safe and effective innovative treatment for glaucoma
Other Major Products	Elcitonin (Elcatonin Injection)	Osteoporosis pain	√	Quick onset, with long-term use and good safety, for the treatment of osteoporosis pain
	Vmonalisa (Modified Sodium Hyaluronate Filler for Injection)	Used for mid to deep dermal implantation for the correction of moderate to severe nasolabial folds (medium and macro particle); Used for the deep dermal to subcutaneous implantation for the correction of moderate to severe nasolabial folds (small particle)		Painless, fashionable and accessible luxury HA filler with multiple particle sizes from South Korea, featured with safety and natural looking

The table below shows a breakdown of our revenue by product lines in terms of our focused speciality therapeutic fields (in the case that all medicines were directly sold by our Group):

Revenues by Product Lines

Product Line	**FY2022**		**FY2023**		**FY2024**	
	RMB Million	***YoY Change***	**RMB Million**	***YoY Change***	**RMB Million**	***YoY Change***
Cardio-cerebrovascular & Related Field Line*	5,516	*13.6%*	5,033	*-8.8%*	4,087	*-18.8%*
Weight	*52.5%*		*53.1%*		*47.4%*	
Gastroenterology/Autoimmune Related Field Line*	3,642	*12.6%*	3,081	*-15.4%*	2,875	*-6.7%*
Weight	*34.7%*		*32.5%*		*33.3%*	
Ophthalmology Line	440	*14.1%*	505	*14.7%*	627	*24.3%*
Weight	*4.2%*		*5.3%*		*7.3%*	
Skin Health Line	393	*12.6%*	467	*18.8%*	605	*29.6%*
Weight	*3.7%*		*4.9%*		*7.0%*	
Other products	506	*24.6%*	386	*-23.7%*	428	*10.9%*
Weight	*4.8%*		*4.1%*		*5.0%*	
Aggregate	10,497	*13.7%*	9,472	*-9.8%*	8,622	*-9.0%*

Note:

* The sales of cardio-cerebrovascular and related field line and gastroenterology/autoimmune related field line showed a decrease business performance in FY2023 and FY2024, mainly affected by the National VBP inclusion of three original drugs, with Deanxit included in the seventh batch of National VBP, Plendil and Ursofalk included in the eighth batch of National VBP. The seventh and eighth batches were implemented successively in November 2022 and July 2023 respectively, and Deanxit, Plendil and

Ursofalk were not selected through the bidding process, which had a material adverse impact on our revenue and margins in FY2023 and FY2024. Starting from the second half of 2024, our Group has essentially mitigated the negative impact of National VBP and entered the "New Product Era" where non-National VBP exclusive and innovative products drive our growth.

OUR SOUTHEAST ASIA BUSINESS

Southeast Asia, with a population of nearly 700 million, is experiencing surging pharmaceutical demand due to rapid economic growth, the rise of the middle class, aging population and the increasing burden of non-infectious diseases. Our Group has seized this market opportunity by establishing Rxilient Health[19], a new pharma focused on emerging markets in Southeast Asia. Additionally, our Group acquired a manufacturing plant in Singapore through our associated company, PharmaGend Global[20], thus achieving full coverage of "R&D, manufacture, and commercialisation" value chain. Our Group implements a "glocalisation" strategy in Southeast Asia, aiming to build a "bridgehead" for global pharmaceutical companies entering the Southeast Asian market and to provide local patients with high-quality and affordable treatment options.

Platform for Medicine Introduction, Development and Marketing

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

Rxilient Health is continuously expanding its product portfolio. In 2024, through a wholly-owned subsidiary, it obtained exclusive licence of povorcitinib (a selective small molecule oral JAK1 inhibitor, expected to offer new treatment options for patients with autoimmune and inflammatory skin diseases) in eleven Southeast Asian countries. As of 31 December 2024, Rxilient Health had a differentiated product portfolio of over ten products, covering therapeutic areas such as oncology, dermatology, central nervous system, gastroenterology, autoimmune, and ophthalmology.

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

Rxilient Health has also collaborated with Shanghai Junshi Biosciences Co., Ltd. through their joint venture, Excellmab Pte. Ltd., to promote the registration process of the strategic collaborative product, intravenous toripalimab (the first China-originated anti-PD-1 monoclonal antibody drug that has been approved by the NMPA in China, the FDA in the US, and the EMA in Europe) in several Southeast

[19] Our Company holds 77.72% indirect shareholding interest in Rxilient Health. The remaining 22.28% indirect shareholding interest in Rxilient Health are held by two (2) non-independent parties, namely LC Healthcare SEA Fund I, L.P and LC Healthcare Fund III, L.P., each holding 8.76%, and one (1) independent party, namely TG Sino-Dragon Fund II, holding 4.76%. Our Group holds a 25% indirect shareholding interest in LC Healthcare Fund III, L.P. and a 12.5% indirect shareholding interest in LC Healthcare SEA Fund I, L.P. The remaining indirect shareholding interests in these two (2) non-independent parties are not related to our Group, our Directors, Executive Officers, Controlling Shareholders or their associates.

[20] Our Company holds 45.0% of interest in PharmaGend Global through a number of its subsidiaries, including 11.2% held by Rxilient Health. The remaining shareholding interest is 35.0% held by Pharmaron (Hong Kong) International Limited and 20.0% held by Healthy Goal Limited. Pharmaron (Hong Kong) International Limited and Healthy Goal Limited are not related to our Group, our Directors, Executive Officers, Controlling Shareholders or their associates.

Asian countries. In 2024, registration applications of this product were submitted in Malaysia, the Philippines, Indonesia, Thailand, and Vietnam.

PharmaGend Global – the CDMO Business through our Joint Venture in Singapore

In December 2023, the associated company, PharmaGend Global, has entered into a lease agreement for the building and property located in Tuas, Singapore and completed the purchase of certain production machines and equipment from Strides Pharma Global Pte. Ltd. Following the completion of the above-mentioned transactions, the resumption of operations and equipment optimisation at the plant progressed smoothly in FY2024. The plant has received the Good Manufacturing Practice certification issued by the U.S. FDA, and successfully passed an on-site inspection by the Health Sciences Authority ("**HSA**") of Singapore. It will provide CDMO services to global pharmaceutical companies. It will also play a critical role in ensuring the safety and stability of our Group's overseas manufacturing supply chain.

SUPPLY CHAIN, MANUFACTURING AND QUALITY ASSURANCE

Supply Chain

Leveraging on a robust and comprehensive supply chain system and processes that we have established internally, and a self-developed information-based supply chain IT system platform, our Group efficiently manages major supply chain links such as business forecasting, supply planning, purchase, sale and inventory monitoring, order fulfilment and delivery, international and domestic logistics, pharmaceutical import and export, drug inspection, warehousing trends, inventory management and expiration date, payment settlement and account period management, to ensure the stable supply of products to our target markets.

In terms of supplier management, our Group conducts classified management of qualified suppliers according to the scale and amount of procurement. Our supply chain management department regularly review and evaluate the performance of suppliers such as qualifications and supply deviations, delivery achievement and other performance during the evaluation period, and take special measures to assist low-performing suppliers to improve. In terms of supply planning, each business line regularly evaluates the sales forecast of products, and the supply chain management department systematically formulates a rolling product supply plan based on the supply agreement and the comprehensive influencing factors of the internal system, and effectively implements the production and supply plan of each product through close cooperation and regular meetings with the production and supply departments of each supplier.

In order to ensure the standard operation of the drug supply chain, we carry out all aspects of the work in strict accordance with the requirements of the relevant systems of drug operation, such as Good Documentation Practices, Good Storage Practices, Good Manufacturing Practices and other specifications and the international supply chain standard for Authorised Economic Operators. Our Group has established multi-party collaborative standard operating procedures and related systems for different regulatory categories of products to ensure the orderly management and safe and smooth operation of the supply chain. All supplied products are inspected batch by batch, and the inspection results are required to meet the factory standards and meet the quality regulatory standards of drug registration in the target sales country before they can be released for delivery to the market. In the process of product sales, we also properly handle customer feedback and provide all necessary support to cooperate with the market sampling inspection of the drug regulatory authorities.

In terms of logistics management, we strictly abide by the quality requirements of drug transportation, temperature control, storage and other products to carry out international and domestic logistics work, and use appropriate devices to ensure that the transportation in the entire supply chain meets the

standards of temperature control, safety, shock absorption and anti-theft, and is in accordance with the regulatory provisions of the management of special categories of products (such as biological agents, psychotropic drugs) of the import and export countries. We closely follow the relevant systems put in place by our Group, and carefully select third-party partners that meet the requirements of business operation to carry out work in terms of exports, international logistics and domestic distributions. In addition, we timely evaluate the market price to promote cost control. We further assign the rights and liabilities of the goods in accordance with the terms of the agreement, and cover possible logistics damage or hypothermia and other problems through reasonable insurance for each logistical segment, so as to mitigate the risk of incurring unnecessary costs.

Manufacturing

Our Group and the above-mentioned associated company, PharmaGend Global, have five (5) production bases located in Hunan, Tibet and Guangdong provinces of China, as well as in Singapore. The production bases in China are equipped with facilities for producing powders, oral solutions, tablets (including traditional Chinese medicine extraction), freeze-dried powder injection, and disinfectants. The Singapore production base is equipped with facilities for producing tablets and capsules.

For the year ended 31 December 2024, the sale of self-produced products only accounted for around 0.8% of our Group' s turnover in the case that all medicines were directly sold by our Group. Given that the sale of self-produced products is of minimal financial impact, our production facilities are not material to our business and operations. As of 31 December 2024, our business of manufacturing self-produced pharmaceutical products in China is carried out by Hunan Medical. Our manufacturing plants have passed the Good Manufacturing Practices' compliance inspections and are capable of producing various dosage forms, including powders, oral solutions, and tablets (including those involving Chinese medicine extraction). In addition to Good Manufacturing Practices' standard, Hunan Medical also obtained the ISO series certifications such as ISO9001, ISO 45001, and ISO 14001 certifications. Hunan Medical holds a Pharmaceutical Manufacturing Permit issued by the Hunan Provincial Drug Administration; the current permit is for a term of five years, expiring on December 14, 2025. We plan to renew the permit before its expiration. Based on current PRC laws and regulations, our PRC Legal Adviser is not aware of any material legal impediment to such renewal. There were no material occupational health and safety incidents relating to our employees during the Period under Review.

See the section entitled "*BUSINESS – OUR SOUTHEAST ASIA BUSINESS – PharmaGend Global – the CDMO Business through our Joint Venture in Singapore*" of this Introductory Document for more details of our manufacturing plant in Singapore.

Quality Assurance

Our Group has been dedicated to maintaining a comprehensive quality control system that ensures the safety, efficacy, and compliance of all products, both imported or manufactured in-house. When strictly abiding by applicable national and local laws and regulations, we have established an internal product quality management system that covers the entire process from clinical research and development, registration and evaluation, manufacture management, marketing application, and post-market surveillance. We have also continuously improved our quality assurance system through regular self-inspection and external monitoring.

For R&D projects, we have established a quality control system covering clinical trial operation, quality assurance and pharmacovigilance, and have been continuously improving the standard workflow following the industry standards such as Good Clinical Practices. Internally, our Medical Department and Audit Department carry out regular self-inspections and internal audits on clinical research projects, respectively on a yearly basis, so as to dynamically identify potential risks and implement timely rectification. Externally, we accept inspections from cooperative partners on our research and

development quality management system and the implementation of product clinical trials. The relevant employees also receive regular external training and assessment on internal clinical inspection capability.

All pharmaceutical products promoted and sold by our Group have been registered and approved by relevant drug administration authorities such as China NMPA. For imported products, we strictly follow the requirements of national laws and regulations and undergoes stringent inspections by the Institute for Food and Drug Control. Upon arrival, the imported and domestic drug products will go through batch-by-batch inspections according to the requirements of Good Supply Practices. We have also established a product quality review mechanism, whereby the Quality Management Department of the relevant responsible subsidiaries conducts an annual review of the quality and safety as well as supply stability of historical product acceptance.

For self-manufactured products, the pharmaceutical manufacturing subsidiary have established a quality control system covering material supply, product manufacturing, outgoing quality inspection, product launch and recall, and other core operational aspects. The quality management system of our subsidiary, Hunan Medical, has been certified by a third-party institution to be in conformity with GB/T19001-2016/ISO9001:2015 Standard. We conduct strict incoming inspection for raw materials, regularly check the status of production equipment, and assign dedicated personnel to monitor the entire manufacturing process. We also inspect each batch of products to ensure that they are qualified and well-packed before entering the market. The quality objective assessment is conducted at least annually, and the product quality-related indicators are included in the annual performance assessment of relevant employees.

We also attach great importance to the warehousing and storage safety of products. Equipped with various warehouses and storage facilities according to the characteristics of different products, we have formulated multiple regulations to provide relevant employees with comprehensive guidance on fire safety management, hygiene conditions, equipment maintenance and drug maintenance of warehouses, so as to ensure the product quality. We assign special personnel to have real-time monitoring of the equipment and the storage condition of the drugs in accordance with Good Supply Practices and management system as well as operating procedures, and quarterly summarise and analyse the drug storage and warehousing status. For the transportation of products, we also include environmental and social factors in distributor selection criteria, and make a series of internal management regulations available to distributors to ensure that they are aware of and comply with our Group’s requirements and criteria such as product quality, safety, anti-corruption and environment protection.

To support the after-sale quality assurance, we established a complete customer complaint handling system, as well as a pharmacovigilance and product recall mechanism. From 2022 to 2024, the response and handling rate for product and service quality-related complaints remained 100%.

INVENTORY MANAGEMENT

Our Group has established complete internal control systems and procedures related to inventory management, including but not limited to safe stock policy, management of inventory coming in and going out of our system under Good Storage Practices, inventory acceptance, storage and delivery management. In order to maintain a reasonable inventory level and avoid overstocking or shortage of inventory, the procurement department regularly or from time to time makes or adjusts the purchasing plan based on the current stock level and the sales department's future sales expectation. For the purchased inventory, different warehouses and storage facilities are equipped in accordance with the characteristics of products. Any inventory movements are systematically managed, the stock counting is regularly taken by the finance department and the warehouse department to reduce damages caused by an improper record-keeping. At the same time, the inventory is reviewed at the end of each reporting

period, and allowances are provided for obsolete and slow-moving inventories which are no longer suitable for sale or use.

Our average inventory turnover days and allowances for inventory for FY2022, FY2023 and FY2024 are set out below:

	FY2022	FY2023	FY2024
Average inventory turnover days(1)	82	107	125
Allowances for inventory (RMB million)	-	33.2	-

Note:

(1) The average inventory turnover days is computed based on the formula (average of beginning and ending inventory balance/cost of sales) and multiplied by the number of days in the relevant year (i.e. 365 days for each of FY2022 and FY2023, and 366 days for FY2024).

The increase in our average inventory turnover days from 82 days in FY2022 to 107 days in FY2023 was a result of higher stock level and a decrease in sales volume of some pharmaceutical products from the impact of implementation of the National VBP. Following the implementation of the National VBP, the volume of sales of impacted products declined, and accordingly the stock of Deanxit, Plendi and Ursofalk increased, resulting in an increase in inventory turnover days.

The increase in our average inventory turnover days from 107 days in FY2023 to 125 days in 2024 was mainly due to an increase in stock. The increase in stock was mainly due to the normal inventory build-up following the commercialisation of innovative products.

Allowances for inventory as a percentage of total profit before tax of our Company was nil, 1.2% and nil in FY2022, FY2023 and FY2024 respectively. As allowances for inventory as a percentage of our Company's total profit before tax was less than 5%, our Group is of the view that it had no material adverse impact on our Group's business operations and/or financial positions.

MAJOR CUSTOMERS

We have a geographically diverse customer base of over 400 customers globally. The majority of our customers are from China.

The following table sets out the customers which accounted for 5.0% or more of our Group's total revenue from sales in each of FY2022, FY2023 and FY2024:

Customer	As a % of our Group's Total Revenue		
	FY2022	FY2023	FY2024
Tibet Rhodiola Pharmaceutical Holding Co. (西藏诺迪康药业股份有限公司)	14.4	20.2	18.7
Customer B	8.5	5.7	2.5

Note:

(1) Customer B is a customer who did not consent to disclosure of their identity in this Introductory Document. Customer B is a pharmaceutical company headquartered in Europe involved in the R&D, manufacture and distribution of pharmaceutical and medical products, and paid promotion income to our Group relating to the marketing and promotion of pharmaceutical drugs.

To the best of our Directors' knowledge, as at the Latest Practicable Date, our Directors are not aware of any information or arrangement which would lead to a cessation or termination of our relationship with any of our major customers.

As at the Latest Practicable Date, save as disclosed in Appendix D to this Introductory Document, none of our Directors, Executive Officers or substantial shareholders or their respective associates has any interest, direct or indirect, in, and/or are involved in the management of, any of our major customers.

To the best of our Directors' knowledge and belief, there are no arrangements or understanding with any of our major customers pursuant to which any of our Directors and Executive Officers were appointed.

MAJOR SUPPLIERS

The following table sets out the suppliers which accounted for 5.0% or more of our Group's total purchases in each of FY2022, FY2023 and FY2024:

Supplier	**As a % of our Group's Total Purchases**		
	FY2022	**FY2023**	**FY2024**
Supplier A	30.8	30.1	24.1
Supplier B	21.0	21.6	17.7
Supplier C	20.5	16.2	11.5
Supplier D	7.3	9.1	10.1
Supplier E	5.0	4.7	6.7

Supplier F	3.6	5.0	5.4

Notes:

(1) Supplier A is a supplier who did not consent to disclosure of their identity in this Introductory Document. Supplier A is a pharmaceutical company headquartered in Europe involved in pre-clinical and clinical stage research and provided pharmaceutical products to our Group.

(2) Supplier B is a supplier who did not consent to disclosure of their identity in this Introductory Document. Supplier B is a pharmaceutical company headquartered in Europe involved in the R&D, manufacture and distribution of pharmaceutical and medical products, and provided pharmaceutical products to our Group.

(3) Supplier C is a supplier who did not consent to disclosure of their identity in this Introductory Document. Supplier C is a pharmaceutical company headquartered in Europe involved in R&D, manufacture and distribution of pharmaceutical products, and provided pharmaceutical products to our Group. The volume of purchases from Supplier C has been decreasing from FY2022 to FY2024 mainly due to a gradual decrease of the sales proportion of the products supplied by Supplier C.

(4) Supplier D is a supplier who did not consent to disclosure of their identity in this Introductory Document. Supplier D is a pharmaceutical company headquartered in Europe involved in R&D, manufacture and distribution of pharmaceutical products, and provided pharmaceutical products to our Group. The volume of purchases from Supplier D has been increasing from FY2022 to FY2024 mainly due to a gradual increase of the sales proportion of the products supplied by Supplier D.

(5) Supplier E is a supplier who did not consent to disclosure of their identity in this Introductory Document. Supplier E is a pharmaceutical company headquartered in Europe involved in R&D, manufacture and distribution of pharmaceutical products, and provided pharmaceutical products to our Group.

(6) Supplier F is a supplier who did not consent to disclosure of their identity in this Introductory Document. Supplier F is a pharmaceutical company headquartered in Europe involved in R&D, manufacture and distribution of pharmaceutical products, and provided pharmaceutical products to our Group. The volume of purchases from Supplier F has been increasing from FY2022 to FY2024 mainly due to a gradual increase of the sales proportion of the products supplied by Supplier F.

Save as disclosed above, there are no other suppliers who accounted for 5.0% or more of our Group's total purchases during the Period under Review. To the best of their knowledge, our Directors are not aware of any information or arrangement which would lead to a cessation or termination of our current relationship with any of our major suppliers.

As at the Latest Practicable Date, none of our Directors, Executive Officers or substantial shareholders or their respective associates has any interest, direct or indirect, in, and/or are involved in the management of, any of our major suppliers.

To the best of our Directors' knowledge and belief, there are no arrangements or understanding with any of our major suppliers pursuant to which any of our Directors and Executive Officers were appointed.

CREDIT MANAGEMENT

Credit Terms to Our Customers

Our Group's trading terms with our customers are mainly on credit. The credit period generally ranges from 0 to 90 days, except for certain customers which are granted with a longer credit term depending on factors including, but not limited to, the customer's credit rating, payment history and length of their relationship with our Group. The credit terms for major customers are reviewed regularly by senior management.

Our Group trades only with recognised and creditworthy third parties. It is our Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Our Group seeks to maintain strict control over our outstanding receivables and has a credit control department to minimise the credit risk. Overdue balances are reviewed regularly by senior management.

Our average trade receivables turnover days for FY2022, FY2023 and FY2024 are set out below:

	FY2022	FY2023	FY2024
Average trade receivables turnover days[(1)]	70	76	75

Note:

(1) The average trade receivables turnover days is computed based on the formula (average of beginning and ending trade receivable balance including amount due from associates/revenue) and multiplied by the number of days in the relevant year (i.e. 365 days for each of FY2022 and FY2023, and 366 days for FY2024).

Allowance for impairment of trade receivables is determined by expected credit loss model. We may also write off an outstanding debt when we are certain that a customer is unable to meet its financial obligations to us.

The amount of provision for impairment on trade receivables during the Period under Review is as follows:

RMB'000	FY2022	FY2023	FY2024
Provision for impairment on trade receivables	9,643	10,032	9,533
As a % of the trade receivables	0.7%	0.9%	0.8%

Our trade receivables as at 31 December 2024 amounted to RMB1,232 million (before provision for trade receivables impairment). The aging schedule of the balance of our trade receivables net of allowance for credit losses as at 31 December 2024 is as follows:

	31 December 2024	
	RMB'000	%
0 - 90 days	1,186,892	97.1
91 - 365 days	35,587	2.9
Over 365 days	-	-
Trade receivables net of allowance for credit losses	1,222,479	100.0

The provision for impairment is a general provision and it does not mean that our Group will not be able to collect such receivables. We do not have any material exposure to doubtful trade receivables for each of FY2022, FY2023 and FY2024.

Credit Terms from Our Suppliers

Our suppliers generally extend to us credit terms of between 0 and 120 days. The availability of credit and the credit terms extended to us differ from supplier to supplier depending on, among others, the size of our order and the length of our relationship with the particular supplier.

Our average trade and bills payables turnover days for FY2022, FY2023 and FY2024 are set out below:

	FY2022	FY2023	FY2024
Average trade and bills payables turnover days[(1)]	28	31	25

Note:

(1) The average trade and bills payables turnover days is computed based on the formula (average of beginning and ending trade payable balance/cost of sales) and multiplied by the number of days in the relevant year (i.e. 365 days for each of FY2022 and FY2023, and 366 days for FY2024).

LICENCES, PERMITS AND APPROVALS

In operating our business, we are required to obtain various licences and permits under applicable laws. See the section entitled "*Regulations*" of this Introductory Document for further details. As of the Latest Practicable Date, our Group has obtained all the material licences and permits required for our business operations.

The following table sets out details of the material licences, permits and/or approvals held by our Principal Subsidiaries in respect of our business as at the Latest Practicable Date:

Registration Number of Licence/ Permit/ Approval	Name / Description of Licence/ Permit/ Approval	Issuing Authority / Jurisdiction	Production Facility / Company (if relevant)	Issue Date and Expiry Date (if applicable)
Licences Held by Shenzhen Kangzhe				
粵 AA755000573	Pharmaceutical Business License Business scope: Prepared Chinese Patent Medicines, Chemical Pharmaceutical Raw Materials, Chemical Medicinal Preparations, Biological Products (excluding vaccines), Second-Class Psychotropic Drugs (preparations). The above business scope includes refrigerated and frozen drugs.	Medical Products Administration of Guangdong Province, China	Shenzhen Kangzhe	From 24 December 2023 to 23 December 2028

Registration Number of Licence/ Permit/ Approval	Name / Description of Licence/ Permit/ Approval	Issuing Authority / Jurisdiction	Production Facility / Company (if relevant)	Issue Date and Expiry Date (if applicable)
粤深食药监械经营许 20200427 号	Medical Equipment Business Permit Business scope: 2002 Classification Catalogue (Class III): 6815, 6821, 6864, 6865; 2017 Classification Catalogue (Class III): 01, 02, 06, 07, 08, 09, 14, 18, 22.	Shenzhen Administration for Market Regulation, China	Shenzhen Kangzhe	From 18 April 2025 to 18 June 2030
(粤)-非经营性-2021-0109	Internet Drug Information Service Qualification Certificate (Service Nature: Non-commercial)	Medical Products Administration of Guangdong Province, China	Shenzhen Kangzhe	From 16 March 2021 to 15 March 2026
Licences Held by Tibet Kangzhe Pharmaceutical				

Registration Number of Licence/ Permit/ Approval	Name / Description of Licence/ Permit/ Approval	Issuing Authority / Jurisdiction	Production Facility / Company (if relevant)	Issue Date and Expiry Date (if applicable)
藏 AA891000021	Pharmaceutical Business License Business scope: traditional Chinese medicine ("**TCM**"); Chemical active pharmaceutical ingredients and their reagents; Antibiotics; biological products	Medical Products Administration of Tibet Province, China	Tibet Kangzhe Pharmaceutical	From 27 September 2020 to 26 September 2025
（藏）卫消证字（2021）第 540000-002 号	Sanitary Licence of Disinfection Product Manufacturer	Public Hygiene and Health Commission of Tibet Province, China	Tibet Kangzhe Pharmaceutical	From 1 December 2021 to 30 November 2025
Licences Held by Dermavon Pharmaceutical Technology				

Registration Number of Licence/ Permit/ Approval	Name / Description of Licence/ Permit/ Approval	Issuing Authority / Jurisdiction	Production Facility / Company (if relevant)	Issue Date and Expiry Date (if applicable)
琼 AA898000522	Pharmaceutical Business License Business scope: TCM; chemical raw pharmaceutical materials and their preparations; antibiotic raw pharmaceutical materials and their preparations; biochemical drugs; biological products	Medical Products Administration of Hainan Province, China	Dermavon Pharmaceutical Technology	From 13 March 2025 to 4 January 2027
琼海口药监械经营备20230421号	Class II Medical Device Business Registration Certificate	Haikou Municipal Market Supervision and Administration Bureau – National High-Tech Industrial Development Zone Branch, China	Dermavon Pharmaceutical Technology	From 8 April 2025 to long term (i.e. no expiry date)

Registration Number of Licence/ Permit/ Approval	Name / Description of Licence/ Permit/ Approval	Issuing Authority / Jurisdiction	Production Facility / Company (if relevant)	Issue Date and Expiry Date (if applicable)
琼海口药监械经营许20230171号	Medical Device Business License Business scope: 2002 Classification Catalogue: 6801, 6802, 6803, 6804, 6805, 6806, 6807, 6808, 6809, 6810, 6813, 6815, 6816, 6820, 6821, 6822, 6823, 6824, 6825, 6826, 6827, 6828, 6830, 6831, 6832, 6833, 6834, 6841, 6845, 6846, 6854, 6855, 6856, 6857, 6858, 6863, 6864, 6865, 6866, 6870, 6877; 2017 Classification Catalogue: 01, 02, 03, 04, 05, 06, 07, 08, 09, 10, 12, 13, 14, 16, 17, 18, 20, 21, 22	Medical Products Administration of Haikou Municipal, China	Dermavon Pharmaceutical Technology	From 9 April 2025 to 19 October 2028

Registration Number of Licence/ Permit/ Approval	Name / Description of Licence/ Permit/ Approval	Issuing Authority / Jurisdiction	Production Facility / Company (if relevant)	Issue Date and Expiry Date (if applicable)
Licences Held by Hainan Kangzhe Vision				
琼 AA898000605	Pharmaceutical Business License Business scope: TCM; chemical raw pharmaceutical (includes raw materials); biological products (excludes refrigerated and frozen drugs)	Medical Products Administration of Hainan Province, China	Hainan Kangzhe Vision	From 14 February 2025 to 21 October 2028

Registration Number of Licence/ Permit/ Approval	Name / Description of Licence/ Permit/ Approval	Issuing Authority / Jurisdiction	Production Facility / Company (if relevant)	Issue Date and Expiry Date (if applicable)
琼琼海药监械经营许20230013号	Class III Medical Device Business Registration License Business scope: 2002 Classification Catalogue: 6801, 6802, 6803, 6804, 6805, 6806, 6807, 6808, 6809, 6810, 6812, 6813, 6815, 6816, 6820, 6821, 6822, 6823, 6824, 6825, 6826, 6827, 6828, 6830, 6831, 6832, 6833, 6834, 6841, 6845, 6846, 6854, 6855, 6856, 6857, 6858, 6863, 6864, 6865, 6866, 6870, 6877; 2017 Classification Catalogue: 01, 02, 03, 04, 05, 06, 07, 08, 09, 10, 12, 13, 14, 16, 17, 18, 20, 21, 22	Administrative Approval Bureau of Qionghai City, Hainan Province, China	Hainan Kangzhe Vision	From 11 February 2025 to 5 November 2028

Registration Number of Licence/ Permit/ Approval	Name / Description of Licence/ Permit/ Approval	Issuing Authority / Jurisdiction	Production Facility / Company (if relevant)	Issue Date and Expiry Date (if applicable)
琼琼海药监械经营备20230069号	Class II Medical Device Business Registration Certificate Business scope: 2002 Classification Catalog: 6801, 6803, 6804, 6807, 6809, 6810, 6815, 6820, 6821, 6822, 6823, 6824, 6825, 6826, 6827, 6830, 6831, 6833, 6841, 6845, 6846, 6854, 6855, 6856, 6857, 6858, 6863, 6864, 6865, 6866, 6870; 2017 Classification Catalog: 01, 02, 03, 04, 05, 06, 07, 08, 09, 10, 11, 12, 14, 15, 16, 17, 18, 19, 20, 21, 22	Administrative Approval Bureau of Qionghai City, Hainan Province, China	Hainan Kangzhe Vision	From 11 February 2025 to long term (i.e. no expiry date)
Licences Held by Tianjin Kangzhe				

Registration Number of Licence/ Permit/ Approval	Name / Description of Licence/ Permit/ Approval	Issuing Authority / Jurisdiction	Production Facility / Company (if relevant)	Issue Date and Expiry Date (if applicable)
津 AA022g00012	Pharmaceutical Business License Business scope: Chinese patent medicine; chemical medicine (including drug substance); biological products	Medical Products Administration of Tianjin City, China	Tianjin Kangzhe	From 13 September 2024 to 12 September 2029
津滨药监械经营许20224029号	Medical Device Business License Business scope: 2002 Classification Catalogue: 6815, 6823, 6826, 6846, 6864, 6866; 2017 Classification Catalogue: 14, 16	Administration for Market Regulation of Tianjin Economic Technological Development Area, China	Tianjin Kangzhe	From 10 March 2025 to 26 August 2029
GR202412002225	Hi-tech Enterprise Certificate	Tianjin Science and Technology Bureau, the Tianjin Finance Bureau and the Tianjin Tax Bureau of the State Administration of Taxation, China	Tianjin Kangzhe	From 3 December 2024 to 2 December 2027
Licences Held by Hunan Medical				

Registration Number of Licence/ Permit/ Approval	Name / Description of Licence/ Permit/ Approval	Issuing Authority / Jurisdiction	Production Facility / Company (if relevant)	Issue Date and Expiry Date (if applicable)
湘 20150119	Drug Manufacturing Licence	Medical Products Administration of Hunan Province, China	Hunan Medical	From 13 May 2025 to 14 December 2025
91430723616661480Q001V	Pollutant Discharge Permit	Changde City Ecological Environment Bureau, China	Hunan Medical	From 24 April 2023 to 23 April 2028
GR202343002174	Certificate of a High-tech Enterprise	Hunan Provincial Department of Science and Technology, Hunan Provincial Department of Finance, State Administration of Taxation, Hunan Provincial Taxation Bureau, China	Hunan Medical	From 16 October 2023 to 15 October 2026

Save as disclosed above, there are no other licences which our Group's business or profitability is materially dependent on.

To the best of our Directors' knowledge, our Group has obtained all the material licences, permits and approvals for our business operations. Our Group is in compliance in all material respects with all applicable laws and regulations. See the section entitled "*Regulations*" of this Introductory Document for further information. As at the Latest Practicable Date, none of the aforesaid licences, permits and approvals have been suspended, revoked or cancelled and to the best of our Directors' knowledge and belief, we are not aware of any facts or circumstances which would cause such licences, permits and approvals to be suspended, revoked or cancelled as the case may be, or for any applications for, or renewal of, any of these licences, permits, approvals and certificates to be rejected by the relevant authorities.

Where the remaining validity in relation to the licences/permits/approvals set out above is less than 12 months, we have taken steps to renew the validity of these licenses, permits and/or approvals, and we do not foresee any difficulty in relation to such renewals.

QUALITY ASSURANCE AND CERTIFICATIONS

We have implemented comprehensive quality assurance and monitoring procedures at each stage of our production process to ensure that our products meet our stringent quality control standards and the expectations and requirements of our customers.

We have received the key quality assurance certifications in respect of our business, production processes and/or products as of the Latest Practicable Date, for example, Hunan Medical holds a quality management system certification certificate and a drug production license. Hunan Medical also obtain the ISO series certifications such as ISO9001, ISO 45001, and ISO 14001 certifications.

Where the remaining validity in relation to the quality assurance certifications set out above is less than 12 months, we have taken steps to renew the validity of these quality assurance certifications, and we do not foresee any difficulty in relation to such renewals. Our Company does not foresee any difficulty in obtaining the renewal of these quality assurance certifications, where they are required to be renewed.

During the Period under Review and up to the Latest Practicable Date, we did not receive any third-party complaint regarding the safety of our products which makes us subject to formal notice, investigation or penalty by any competent government authorities.

EMPLOYEES

The following table sets out a breakdown of our number of full-time employees by activity as of 31 December 2022, 2023 and 2024:

	As at 31 December		
Activity	**2022**	**2023**	**2024**
Senior management	12	12	13
Marketing and promotion related employee	4,368	4,421	4,720
Others (including among others, business development, innovation and research, medical science, regulatory affairs, supply chain management, quality management, finance and accounting, human resources, legal and investment departments)	1,267	1,268	1,408
Total	5,647	5,701	6,141

The following table sets out a breakdown of our number of full-time employees by geographical location as of 31 December 2022, 2023 and 2024:

	As at 31 December		
Geographic location	**2022**	**2023**	**2024**
China	5,584	5,608	6,020

Hong Kong (China), Macau (China), Taiwan (China) and other countries/regions (including among others, Dubai and Singapore)	63	93	121
Total	5,647	5,701	6,141

Some of our Principal Subsidiaries in PRC have established labour unions, which will represent and safeguard the legitimate rights and interests of all employees, actively participate in the democratic management of the Principal Subsidiaries, and promote harmonious relations between the Principal Subsidiaries and their employees. To date, we have not experienced any labour strikes, work stoppages or material labour disputes that affected our operations, and we consider our relationship with our employees to be good.

We hire a small number of less than 50 temporary employees (including primarily interns).

Development and Training

We are committed to supporting our employees' development through a structured and comprehensive training system, and fostering a culture of continuous learning and professional growth, to ensure that employees are equipped with the necessary skills and knowledge to meet our operational demands.

We continuously enrich our training resources, including developing internal trainers and courses and expanding cooperation with professional institutions. Our Human Resources Department also collects training needs annually from each department, classifies, analyses, and develops corresponding training plans. Our training programs include but are not limited to professional competence, talent development, business maintenance and general occupational skills, which empowers employees in all respects.

For professional competence trainings, we established tailored training schemes, such as the "Navigation" programme for employees in the marketing and promotion system and the "Morning Star" programme for management trainees under the product system, so as to support their professional development. For talent development trainings, we collaborated with consulting institutions for leadership training to enhance leadership, organization power and execution capability of the management. For business maintenance trainings, we developed the training contents based upon annual business development goals of each department, and carried out diversified trainings to help improve the professional qualifications and working skills for employees in key business departments and posts. For general occupational trainings, we focused on developing occupational skills for all general employees, and established the "Energy Star – General Force Training" program, providing trainings on office, communication and collaboration skills.

In addition to providing diverse training programs, we also encourage and support our employees' intention of improving professional skills, and provide funds and resources to support employees to obtain professional qualifications related to their posts. For certificate examinations regarding post-related professional competence or other demands for continuing education, our subsidiaries and departments can apply for inclusion in annual training plans, and then receive training reimbursement after approval.

PROPERTIES

The following table sets out information on the material properties owned[(1)] by our Group as of the Latest Practicable Date:

Location	Gross Land Area (approximate) (sq m)	Tenure	Owner	Principal Use(s)
Industrial Zone Kengzi Town Kangzhe Pharmaceutical Manufacturing Area, Shenzhen City, Guangdong Province, China ("**Industrial Zone Kengzi Town Kangzhe Pharmaceutical Manufacturing Area**")	36,422.40	From 15 January 2010 to 14 January 2060	Shenzhen Kangzhe	Industrial
Selected space at Ma Jialong Innovation Building, Da Xin Road, Nanshan District, Shenzhen City, Guangdong Province, China	15,157.77	From 30 April 2013 to 29 April 2063	Shenzhen Kangzhe	Industrial and office space
Plot B0419-2, Meian Technology New City, Haikou National Hi-tech Zone, Haikou City, Hainan Province, China ("**Plot B0419-2**")	13,358.76	From 1 December 2023 to 31 October 2073	Dermavon Pharmaceutical Technology	Industrial and scientific research
Selected space at Danyang Neighbourhood Committee, Liyang Street, Li County, Hunan Province, China	8,576.91	From 10 July 2013 to 9 July 2063	Hunan Medical	Industrial
Selected space at Danyang Neighbourhood Committee, Liyang Street, Li County, Hunan Province, China	2,026.58	From 10 July 2013 to 9 July 2063	Hunan Medical	Industrial
Selected space at Danyang Neighbourhood Committee, Liyang Street, Li County, Hunan Province, China	35,014.68	From 12 January 1997 to 11 January 2047	Hunan Medical	Industrial
Selected space at Lengshuijiang Kangzhe Pharmaceutical Co. Ltd., Maoyi Village, Shatangwan Substrict Office, Lengshuijiang Economic Development Zone, Hunan Province, China	13,165.10	From 19 July 2018 to 18 July 2068	Hunan Medical	Industrial

Notes:

(1) Under the PRC laws, all the lands in the PRC are owned by the state or collectively owned by individuals or entities through their rural collective organisations. Any person or entity that is not a rural collective organisation may only obtain land use rights of the land, and thus, having the land use rights is similar to owning the land under the PRC laws.

(2) There are no encumbrances over the above material properties save for:

(a) the land use right for the property at Plot B0419-2 owned by Dermavon Pharmaceutical Technology which:

(i) requires the approval of Haikou National High-tech Industrial Development Zone Management Committee (海口国家高新技术产业开发区管理委员会) ("**Haikou Zone Committee**") before this land use right can be transferred or leased; and

(ii) allows Haikou Zone Committee to reclaim land use right and the property at Plot B0419-2 without compensation if Dermavon Pharmaceutical Technology is unable to fulfil, among others, its development milestone, investment and financial undertakings under its agreement with Haikou Zone Committee; and

(b) the land use rights for the properties at Industrial Zone Kengzi Town Kangzhe Pharmaceutical Manufacturing Area owned by Shenzhen Kangzhe which require the approval of Pingshan Management Bureau of the Shenzhen Municipal Planning and Land Resources Commission (深圳市规划和国土资源委员会坪山管理局) before the land use rights for these properties can be transferred.

We also lease a number of our offices, R&D centres and warehouses in various cities. We do not consider any of these leased premises to be material to our business as our Directors are of the view that no single one (1) of our leases comprise material tangible fixed assets of our Group and therefore termination of any lease is unlikely to have a material and adverse impact on our Group's business or operations as we believe that we will be able to secure leases for alternative premises within shortest amount of time possible in such event.

INTELLECTUAL PROPERTY

The key trademarks and patents material to our Group's operations registered under the names of our subsidiaries as of the Latest Practicable Date are as set out in the section entitled *"Appendix E – List of Intellectual Properties"* of this Introductory Document. Save as disclosed therein, the business or profitability of our Group is not materially dependent on any patent or other intellectual property.

INSURANCE

We maintain insurance coverage in respect of key risks relating to, amongst others, damage to property which covers our factories, machinery, stock-in-trade and warehouses in the PRC.

We believe that our insurance coverage is adequate for our business needs and operations and in line with industry practice. We will continue to regularly review and adjust our insurance coverage based on our needs and industry practice.

CORPORATE SOCIAL RESPONSIBILITY AND ENVIRONMENT

Corporate Social Responsibility

As a committed practitioner of sustainable development, we make continuous efforts to promote the deep integration between ESG goals and our development strategies, to promote and fulfil the corporate social responsibility through our actions.

We established a three-tier ESG governance framework consisting of our Board of Directors, our ESG Committee, and our ESG Working Group to systematically manage our ESG targets from the board level to implementation. With the firm sustainability governance structure, we proactively respond to the United Nations Sustainable Development Goals ("**UN SDGs**") and have developed our sustainable

development vision, strategy and objectives, combining with our business, vision, mission and value, as well as the importance ranking of ESG issues by the management and other stakeholders. Upholding the ESG vision of "becoming a world-leading sustainable pharmaceutical enterprise", we are committed to cooperating with global innovation forces via our platforms and jointly developing differentiated innovative products to meet clinical needs and benefit the patients, and promoting healthy, harmonious and sustainable development of the society and environment with responsible development. With the coverage of "medical health needs fulfilment", "reliable and responsible citizen", "people-oriented practice, growing with employees", and "environmental protection, green and low-carbon development", our ESG management strategy has fully involved every important operation process of our Group, and we have formulated corresponding targets to dynamically monitor the progress of our actions under the ESG strategy.

To further fulfil unmet clinical needs, we have been constantly empowering the development of research findings into clinical use as well as diagnosis and treatment practice improvement, to offer better choices for disease treatment, and strive to further promote accessibility and affordability of innovative pharmaceutical products. During the business process, we always adhere to the principle of "compliance first", carry out responsible business operations with high business ethics standards, constantly improve internal governance and operation efficiency, and are devoted to providing stakeholders with professional and high-quality products and services.

As a responsible corporate citizen, we care about the development and welfare of our employees, as well as the surrounding communities. For our employees, we have consistently applied the "people oriented" philosophy, adhered to legal and compliant employment, and protected employees' rights and interests by offering comprehensive career development channels and capability improvement opportunities, and actively constructing a cultural atmosphere of diversity and inclusion, in doing so created a warm, friendly and safe working environment and built a high-quality team of talents with strong cohesion. Externally, we have also continuously focused on and responded to community needs and carry out series of public welfare activities such as donation, poverty alleviation and care for vulnerable groups, to give back to the society with practical actions. We also clearly understand that ecological and environmental protection constitutes an important part of the corporate social responsibility, and have been adhering to the philosophy of green development and low-carbon management, to reduce the impact of our operations on the surrounding environment. Guided by the green innovation principle, we endeavour to create a sustainable business pattern and contribute to sustainable development by reducing resource and energy consumption while improving production efficiency.

Environmental Protection and Resource Utilisation

We are committed to achieving the sustainable development goal of environmental protection and energy conservation, and have established a comprehensive environmental management structure to systematically control and optimise corporate environmental practices. We strictly comply with relevant laws and regulations on environmental protection in the places of operation, pay attention to relevant regulatory trends and continuously review our own environmental protection practices. Through a combination of internal self-inspection and external supervision, we actively monitor the effectiveness of our environmental management system and compliance of our practices. We conduct regular internal audits on the environmental management status of our Group, including emission management and resource utilisation, and problems of each audited entity were identified and explained in detail. Based on the audit results, the Audit Department advises the relevant responsible parties on rectification and assists them in formulating a comprehensive improvement plan.

For environmental protection, we actively monitor and manage the emissions of pollutants such as wastewater, exhaust gas, noise and wastes to ensure that the relevant emissions comply with national and local environmental protection laws and regulations. At the same time, we have invested in

environmental protection projects to optimise pollutant treatment technologies, continuously reducing the potential adverse impact of our operations on the environment. To better manage the Greenhouse Gas ("**GHG**") emissions and respond to climate change, we also incorporated the climate change issue into our long-term strategy, identified and assessed climate-related risks and opportunities, and formulated corresponding countermeasures, to reduce the carbon footprint of our business operations and contribute to the global response to climate change. In response to the UN SDGs and China's "30-60" goals, we have also set up long-term strategic target and short-term target on GHG emission control, and monitor our progress on a regular basis. The short-term target for GHG emission has been successfully achieved, with 2020 as the base year and 2023 as the initial target year. As of the end of 2024, our Scope 1+2 GHG emission intensity has reduced by 62.4% compared with 2020. In addition to the GHG emission-related targets, we have also set environmental targets related to hazardous and non-hazardous waste, and the short-term targets for both kinds of waste have been successfully achieved. To further optimise our practice on environmental protection, we have set new short-term environmental targets related to GHG emission and solid waste, with 2020 as the base year and 2026 as the new target year, which are listed as follows:

1) The GHG emission intensity to be reduced by at least 6% by the end of 2026, as compared to 2020.
2) The hazardous waste intensity to be reduced by at least 7% by the end of 2026, as compared to 2020.
3) The non-hazardous waste intensity to be reduced by at least 4% by the end of 2026, as compared to 2020.

For resource utilisation, we constantly strengthened the management on the use of resources and focused on energy conservation in operation to achieve green development, and actively promoted energy conservation and emission reduction to all employees, to enhance their awareness on environmental protection. We have continuously optimised the use of energy and improved energy efficiency to realise energy conservation and consumption reduction, and have taken various measures to manage the use of different energy sources and water resources. Specifically, since manufacturing process is one of the essential segments of resource utilisation, our manufacturing-related subsidiary Hunan Medical also established a leading group for energy conservation and emission reduction to supervise energy conservation work. An Energy Conservation and Emission Reduction Office and Safety and Environment specialist position are set under the leading group, and are responsible for implementing energy conservation and emission reduction work, such as developing management policies for energy conservation and emission reduction for Hunan Medical, publicising energy conservation concept and daily inspection. We have also set the targets on the consumption of relevant resources, including electricity and water, with 2020 as the base year and 2023 as the initial target year, and the targets for 2023 have been successfully achieved. As of the end of 2024, our electricity consumption intensity and water consumption intensity have reduced by 15.0% and 47.1% respectively, as compared to 2020. For electricity and water consumption intensity, we have also set new short-term environmental targets with 2020 as the base year and 2026 as the new target year, which are listed as follows:

1) The electricity consumption intensity to be reduced by at least 3% by the end of 2026, as compared to 2020.
2) The water consumption intensity to be reduced by at least 6% by the end of 2026, as compared to 2020.

Our Group has adopted the management concept of life cycle in all our business activities worldwide to minimise adverse effect on environment while producing and offering services, perform our compliance obligations and enhance environmental protection, thus contributing to the better prevention of environment pollution and the sustainable development of society.

MATERIAL LITIGATION

Our Company and Principal Subsidiaries are not a party to any litigation or arbitration proceedings, including those which are pending or known to be contemplated, which may have, or which have had in the 12 months immediately preceding the date of this Introductory Document, a material effect on the financial position or profitability of our Group.

ORDER BOOKS

Our business model is characterised by relatively short time intervals between placement of orders by our customers and fulfilment of such orders by our Group. Our typical order cycle spans from within the day to a few days. This short duration ensures that orders are processed and completed swiftly, and the rapid turnaround of orders makes an order book system redundant. Hence our Group is of the view that the concept of order books is not relevant to our business.

COMPETITION

We operate in a highly competitive and evolving industry in China and Southeast Asia. We face potential competition from many different companies, including multinational pharmaceutical companies and innovation-driven pharmaceutical companies, that are working to develop and commercialise innovative therapies targeting the same indications as our existing and pipeline drugs. The identities of our key competitors vary by product; in certain cases, any pharmaceutical product that we successfully develop and commercialise will compete with both existing drugs and new drugs that may become available in the future. We believe that our medical and clinical demand-oriented product selection strategy generating a portfolio of differentiated products, our efficient innovative product incubation platform, our proven and successful specialty-focused commercialisation capability and our professional leadership team and efficient operation system with compliance provide us with competitive advantages, shaping us to be a platform company linking pharmaceutical innovation and commercialisation.

For additional information concerning the competitive risks that we face, see the section entitled "*Risk Factors – We operate in a highly competitive industry and may not be able to continue competing successfully.*" of this Introductory Document.

COMPETITIVE STRENGTHS

We believe that the following competitive strengths position us well for our historical success and continued growth:

Successful implementation of medical and clinical demand-oriented product selection strategy, generating a product portfolio with differentiated competitive advantages

Guided by our founder and senior management team with medical practice experience and initial aspirations of being a doctor, our Group is committed to providing patients with a steady stream of effective and affordable medical solutions. It is our mission and calling to "provide competitive products and services to meet unmet healthcare needs." With our keen market insight and clinical demand-oriented projection selection and evaluation system, we can generate a continuous stream of products with differentiated competitive advantages.

We have selection criteria for innovative products, as set out below:

- high academic values with differentiated competitive advantages;
- good market potential with favourable competitive landscape; and

- high overall return on investment.

See the section entitled *"BUSINESS – OUR SPECIALTY THERAPEUTIC FIELDS FOCUSED COMMERCIALISATION PLATFORM – Summary Table of Our Major Marketed Products by Product Lines"* of this Introductory Document for more details in differentiated advantages of our marketed drugs.

Efficient innovative product incubation platform, facilitating the yearly launches of innovative products

Driven by a two-wheel drive innovation strategy of "Collaborative R&D and In-house R&D", our Group have collaborated extensively with global innovation forces, to continuously deploy First-in-class and Best-in-class innovative products, and efficiently promote their clinical development and commercialisation processes, empowering the continuous transformation of scientific research outcomes into clinical practices and benefiting numerous patients.

Our Group has continuously improved our R&D system covering the full lifecycle management of innovative products, and introduces external consultants to provide professional advice and improve management efficiency. Simultaneously, our Group focused on building a more agile and modern organization, and promoted a comprehensive digital and institutional construction for our products centre, to improve execution capabilities in product assessment, medical development, clinical operations and registration management, and systematically incubate products that can meet the urgent needs of patients and with commercial potential.

From 2018 to 2024, we spent accumulated R&D expenditure (include capitalised and expensed expenditures) of RMB4.35 billion, accounting for 7.6% of our accumulated turnover in the case that all medicines were directly sold by our Group; spent accumulated R&D expenses of RMB0.88 billion, accounting for 1.5% of our accumulated turnover in the case that all medicines were directly sold by our Group. With such spending, as of 31 December 2024, our Group had deployed approximately forty (40) innovative products with differentiated competitive advantages, and at various developmental stages, among which, five (5) innovative drugs (covering six (6) indications) have been successfully approved for marketing in China, and entering large-scale clinical application.

Additionally, we have continued to strengthen our foundational research and independent innovation capabilities. Since 2021, leveraging on our professional teams and innovative products lifecycle management system from target selection and confirmation, preclinical research to clinical development, we have focused on the novel biotechnologies and targets in specialty areas, initiating independent innovative biotechnology innovation. As of 31 December 2024, we were advancing approximately twenty in-house R&D projects, among which, four (4) innovative drugs entered clinical development stages in China.

Subsequently, we will continue to deliver more novel and quality drugs with greater efficiency and more controllable costs every year, accelerating the release of innovative value. See the section entitled "*BUSINESS – RESEARCH AND INNOVATION DEVELOPMENT*" of this Introductory Document for more details.

Proven and successful commercialisation capability, efficiently releasing the commercial and clinical value of innovative products

After about thirty years of cultivation and accumulation, our commercial system has continued to upgrade, creating an agile organisation with efficient collaboration and resource sharing. We have possessed verified successful experience in market access, academic promotion, brand shaping, retail management, and government affairs. We focused on in-depth development of the following major

specialty business areas, namely (i) cardio-cerebrovascular and gastroenterology, (ii) skin health, and (iii) ophthalmology, and expanded our business boundaries horizontally to related areas. Adhering to the operation principle of "compliance first", we established a highly qualified, professional academic promotion team with strong execution, as well as extensive channel and resource coverage. Our Group has gained advantageous market positions and academic brand for its major marketed products.

As of 31 December 2024, our Group had a promotion network covering over 50,000 hospitals and medical institutions, and approximately 300,000 retail pharmacies in China.

For more details on proven and successful historical selling and brand building records for our marketed products, see the section entitled "*BUSINESS – OUR SPECIALTY THERAPEUTIC FIELDS FOCUSED COMMERCIALISATION PLATFORM – Summary Table of Our Major Marketed Products by Product Lines*" of this Introductory Document.

We believe that with our specialty therapeutic field focused marketing, promotion and sales platform, broad promotion and sales network, and extensive hospital and retail coverage, we are better able to cross-sell our products in a cost-effective way and benefit from economies of scale as we add further innovative products to our portfolio. See the section entitled "*BUSINESS – OUR SPECIALITY THERAPEUTIC FIELDS FOCUSED COMMERCIALISATION PLATFORM*" of this Introductory Document for more details.

We have an experienced, dedicated and stable management team with outstanding track record and a strong sense of mission

Since 1998, our Group has established and improved our medicine and pharmacy college-based campus recruitment and training program, and most of our middle and senior managers have been trained and promoted internally. These middle and senior managers are dedicated and stable, with high corporate culture recognition and strong execution. Our Executive Directors and senior management have extensive experience in the pharmaceutical industry and many of them have backgrounds in medicine and pharmacy from Chinese medical colleges and possess clinician experience.

Our management team is led by our founder, chairman and CEO, Mr. Lam Kong, and comprises the other Executive Directors and senior managers referred to in the section entitled "*Directors and Executive Officers*" in this Introductory Document. Mr. Lam has over thirty years of industry and entrepreneurial experience in the PRC pharmaceutical market. He is responsible for the creation, implementation and management of our Company's development and growth strategy. Mr. Lam has clinician experience and deep understanding and knowledge of China's pharmaceutical industry, possessing unique insight and extensive experience in R&D, marketing, promotion, sales and other value-added services. The CFO, Vice-President and Executive Director of our Group, Ms. Chen Yanling, joined our Group in 1995 and has remained with our Group since then. Ms. Chen is responsible for our Group's finance, auditing, investor relations, administrative affairs management and administrative government affairs. She holds an Executive Master of Business Administration degree and is a senior accountant with extensive experience in financial management, fund raising, auditing and investor relations. Ms. Chen is also the chairman of the Environmental, Social and Governance Committee of our Company.

We believe that our experienced, dedicated and stable management team, with proven track record and a strong sense of mission, will continue to drive us forward.

We have an efficient and refined management system with strict compliance

Adhering to the operating principal of "compliance first", we have continuously promoted the institutionalisation, digitalisation and intelligent development of our management system over years, and built a scientific and efficient modern organization.

- **Organisational capacity building:** aligning with our Group's strategic plan, we introduced the Share Award Scheme related to the "new product launch and sales", and enhanced employee incentive mechanism. Taking an individual task-based approach, we break through the boundaries of different organisational units to improve organisational efficiency.

- **Refined management:** through the digital tools and information platform, we realise the refined management of all sales regions. We develop, review, and dynamically adjust business plans using big data analytics. We implement regular employee behaviour management, business execution tracking, evaluation and assessment.

- **Training and empowering system:** we have upgraded talent cultivation system with "customised training programs" such as "on-boarding training", "specialty training", and "leadership development".

- **Compliance system:** we dynamically optimise our compliance control system, constantly enhance compliance training and assessment, and carry out unannounced inspection and special audit to strengthen compliance supervision.

BUSINESS STRATEGIES AND FUTURE PLANS

Our Group has followed the development pattern of the industry and has promoted three significant strategic transformations with a forward-looking vision: from being an agent of imported original drugs, to controlling the rights of mature original and/or exclusive products, and to completing a comprehensive innovation transformation. Each step of the transformation is in sync with the industry's development trends, and with constant challenges and transcendence. We aim to become a trustworthy specialty pharma rooted in Asia. We plan to implement the following strategies to achieve our goal:

- **Continuously generating innovative products:** we will steadfastly implement our innovation strategies, focusing on the unmet clinical needs of patients to continuously deploy differentiated innovative products with scientific influence and commercial competitiveness. We will also continue to enhance the efficiency of the entire lifecycle management of innovative products and continue to generate differentiated innovative products for commercialisation every year, so that quality medicines can benefit more patients and their families in China and Southeast Asia at a faster pace.

- **Continuous and successful commercialisation of innovative products**: we will continue to promote the vertical development and horizontal expansion of the commercialisation platform in our advantageous specialty fields, enhancing the comprehensive strength in cardiovascular, central nervous system, gastroenterology, and related areas. For the independently operated ophthalmology business, we are committed to cultivating it to become a "leader in the specialty therapeutic markets". We will promote the synergistical development of innovative products with the existing marketed products in promotion team and channels, solidify an academic-based and professional promotion model of innovative products, and use large-scale real world studies to strengthen clinical evidence, to rapidly establish products' brand influence, in order to promote the continuous and successful commercialisation of innovative products.

- **Southeast Asia business development**: we will accelerate the establishment of the platform integrating "R&D, manufacture, and commercialisation" of our Southeast Asia business, Rxilient

Health (headquartered in Singapore, and covering countries such as the Philippines, Malaysia, Thailand, Indonesia, Vietnam and other Southeast Asian countries), and improve its operational execution, benefiting Southeast Asian patients with more quality and affordable pharmaceutical products. The manufacturing plant operated by PharmaGend Global in Singapore had been approved by the HSA in Singapore, the FDA in the US, and the Therapeutic Goods Administration of Australia. It will empower the production of Chinese and global pharmaceutical companies to enhance their competitiveness of international development, and ensuring the safety and stability of our Group's overseas supply chain.

- **Organisation capacity enhancement:** as we have entered the “New Product Era”, in order to achieve higher platform goals, we will strengthen our organisational capacity building, including corporate culture reshaping, strategic planning and strategy execution, talent development and incentive mechanism, and intelligent system construction, solidifying a foundation to maintain sustained and rapid growth for our Group.

The successive launches of our Group’s innovation products are the best interpretation of our commitment to persisting in pharmaceutical innovation, as well as the powerful proof for our successful innovative transformation. We are committed to promoting quality and innovative development and laying the foundation for a future of sustainable, healthy and rapid growth, and contributing our “CMS Power” to uphold the healthcare cause of humankind with an unceasing stream of innovative outcomes.

REGULATIONS

The following is a summary of the material laws and regulations applicable to our Group as at the Latest Practicable Date. With regards to the PRC laws, the PRC Legal Adviser to the Company is of the view that during the Period under Review, the Principal Subsidiaries have complied with relevant PRC laws currently in effect that would materially affect their business operations in all material aspects. Further, the PRC Legal Adviser to the Company is of the view that the principal activities of the PRC Principal Subsidiaries of our Group incorporated in the PRC are in accordance with their respective business licences. As of the Latest Practicable Date, our Group is in compliance with the laws and regulations that would materially affect our business operations.

THE PRC

We are subject to a variety of PRC laws, rules and regulations across a number of aspects of our business. This section sets forth a summary of the material laws and regulations that are applicable to our current business activities within the PRC. Information contained in this section should not be construed as a comprehensive summary of the laws and regulations applicable to our Group.

RELEVANT PRC LAWS AND REGULATIONS IN RELATION TO THE INDUSTRY

Regulatory Framework for the Pharmaceutical Industry

The PRC Drug Administration Law, promulgated by the SCNPC in September 1984 and last amended in August 2019, along with the Regulations for the Implementation of the Drug Administration Law, promulgated by the State Council in August 2002 and last amended in March 2019, jointly establish the legal framework for the administration of pharmaceutical products in China, including governing research, development and manufacturing of drugs. The PRC Drug Administration Law, applicable to entities and individuals engaged in the development, production, trade, application, supervision and administration of pharmaceutical products, regulates pharmaceutical manufacturers, pharmaceutical trading companies and medicinal preparations of medical institutions, covering the development, research, manufacturing, distribution, packaging, pricing and advertisement of pharmaceutical products. The Regulations for the Implementation of the Drug Administration Law provide the detailed implementation regulations for the PRC Drug Administration Law.

Major Regulatory Authorities of the Pharmaceutical Industry

The pharmaceutical industry in the PRC is mainly administered by three governmental agencies – namely, the NMPA (a department under the SAMR), the NHC and the NHSA.

The NMPA, which inherited the drug supervision function from its predecessor, the CFDA, is the primary drug regulator in the PRC. It is responsible for overseeing nearly all key stages of the life-cycle of pharmaceutical products, including non-clinical research, clinical trials, marketing approvals, manufacturing, advertising and promotion, distribution and pharmacovigilance.

The NHC, formerly known as the National Health and Family Planning Commission of the PRC, is the PRC's chief healthcare regulator. It is primarily responsible for drafting national healthcare policy and regulating public health, medical services, and health contingency systems, coordinating healthcare reforms, and overseeing the operation of medical institutions and practice of medical personnel.

The NHSA, established in May 2018, is responsible for drafting and implementing policies, plans and standards relating to medical insurance, maternity insurance and medical assistance. It administers healthcare fund, formulates uniform medical insurance catalogues and payment standards on drugs,

medical disposables and healthcare services, and overseas the formulation and administration of bidding and tendering policies for drugs and medical disposables.

LAWS AND REGULATIONS IN RELATION TO DRUG MANUFACTURING ENTERPRISES AND DRUG MANUFACTURING

Drug Manufacturing Licence

According to the PRC Drug Administration Law, which was promulgated by the SCNPC in September 1984 and last amended in August 2019, a drug manufacturing enterprise is required to obtain a Drug Manufacturing Licence from the relevant provincial counterpart of the NMPA. According to the Measures for the Supervision and Administration of Drugs, which was promulgated by the CFDA on 5 August 2004 and last amended on 22 January 2020, a Drug Manufacturing Licence is valid for five (5) years. It may be renewed if the holder makes an application at least six (6) months before its expiration and receives approval from the provincial counterpart of the NMPA that originally issued the licence.

Contract Manufacturing of Drugs

Pursuant to the Administrative Regulations for the Contract Manufacturing of Drugs, which was issued by the NMPA in August 2014, a drug manufacturer in China that holds a drug marketing authorisation but temporarily lacks manufacturing conditions due to technology upgrades or insufficient manufacturing capabilities can entrust the production of that drug to another drug manufacturer in China. Such contract manufacturing arrangements require approval by the provincial branch of the NMPA. The Administrative Regulations for the Contract Manufacturing of Drugs prohibit the contract manufacturing of certain special drugs, including but not limited to narcotic drugs, psychoactive drugs, biochemical drugs and active pharmaceutical ingredients.

The PRC Drug Administration Law specifies that drug marketing authorisation holders (the "**DMA Holders**") may either produce drugs themselves or entrust their production to other drug manufacturers. DMA Holders and the commissioned manufacturers must enter into an entrustment agreement and a quality agreement, and they are required to strictly fulfil the obligations under these agreements. Certain drugs, including blood products, anaesthetics, psychotropic pharmaceuticals, toxic pharmaceuticals for medical treatment and pharmaceutical precursor chemicals, may not be produced through entrustment, unless otherwise prescribed by the drug supervision and administration department of the State Council.

The Measures for the Supervision and Administration of Drugs further implement the drug marketing authorisation holder system as stipulated in the PRC Drug Administration Law. DMA Holders who entrust others to manufacture preparations must enter into an entrustment agreement and a quality agreement with a qualified drug manufacturing enterprise. They must submit these agreements, along with the actual manufacturing site application materials, to the competent drug administrative authority to apply for a Drug Manufacturing Licence.

LAWS AND REGULATIONS IN RELATION TO DRUG REGISTRATION

Drug registration involves the process in which an applicant seeks approval for drug clinical trials, marketing licenses, re-registration, and other supplementary applications in accordance with legal procedures and relevant requirements. The NMPA reviews the safety, effectiveness, and quality controllability of the drug based on laws, regulations and existing scientific knowledge, and decides whether to approve the application. Once a drug registration certificate is obtained, the applicant becomes a DMA Holder. The SAMR promulgated the Measures for the Administration of Drug Registration, which apply to drug development, registration, supervision and administration activities within the PRC for the purpose of drug marketing.

According to the Measures for the Administration of Drug Registration, an applicant for drug registration should complete the relevant research in pharmacy, pharmacology, toxicology and clinical trials before applying for drug marketing registration to NMPA. Non-clinical safety evaluation research should be carried out in institutions certified by the quality management standards for non-clinical drug research and comply with these standards. Clinical trials of drugs should be approved, and bioequivalence tests should be recorded. Drug clinical trials should be carried out in institutions that meet the relevant provisions, and adhere to quality management standards for clinical trials.

New Drug Application

Pursuant to the Measures for the Administration of Drug Registration, after completing the pharmaceutical research, pharmacological and toxicological research, clinical drug trials, and other research supporting the marketing registration of a drug, an applicant must determine the quality standards, verify the commercial large-scale production process, and prepare for the acceptance of drug registration inspections and examinations. The applicant should then file an application with the NMPA for drug marketing authorisation and submit the relevant research materials in accordance with the application requirements. If the application materials meet the formal requirements, the application will be accepted. In cases where the drug is generic, an in vitro diagnostic reagent managed as a drug, or another eligible circumstance where the applicant deems it unnecessary or impossible to conduct clinical drug trials, the applicant may directly file an application for drug marketing authorisation. The technical guidelines and specific requirements for exempting clinical drug trials will be developed and announced by the CDE.

The CDE shall organise pharmaceutical, medical and other technical personnel to evaluate accepted applications for drug marketing authorisation. If the comprehensive evaluation concludes positively, the drug will be approved for marketing, and a drug registration certificate will be issued. If the comprehensive evaluation is negative, a disapproval decision will be made. The drug registration certificate will specify the drug approval number, the holder, the manufacturer, and other relevant information. For OTC drugs, the certificate will also indicate the type of OTC drug.

Drug registration inspection involves verifying the authenticity and consistency of application materials and the commercial production conditions at development and production sites. It includes examining the compliance of drug development and the reliability of data. If necessary, the inspection may be extended to manufacturers, suppliers, or other entrusted institutions responsible for chemical APIs, excipients, and packaging materials that directly contact the drug.

The CDE will decide whether to conduct on-site inspections of drug registration development based on the degree of drug innovation, risks involved and previous inspections of drug research institutions. The decision to conduct production site inspections will depend on factors such as the type of drug, the production process, facility and prior inspection history. For innovative drugs, new modified drugs and biological products, production site inspections and pre-marketing examinations for compliance with drug production quality management standards are mandatory. For generic drugs, these inspections will be conducted based on risks involved, considering whether a drug production licence for the relevant scope has been obtained and whether a similar dosage form has been marketed.

After an application for drug registration is accepted, the CDE will conduct a preliminary examination within 40 days of acceptance, notify the CDFI to organise this inspection and provide the relevant materials required for inspection. If a production site inspection is required, the CDE will simultaneously notify the applicant and the medical products administrative department of the relevant province, autonomous region or municipality. The CFDI is expected to complete the inspection 40 days before the inspection deadline, reporting the inspection details, results, and other relevant materials to the CDE.

Drug registration examination includes both standard review and sample examination. Standard review involves a laboratory assessment of the scientific validity of the items specified in the drug standards, the feasibility of the test methods, and the appropriateness of quality control indicators, among other factors. Sample examination refers to the laboratory testing conducted on samples according to the applicant's request or based on the drug quality standards verified by the CDE. The review period for a drug marketing authorisation application is 200 days. Within this timeframe, the review period for prioritised review and approval procedures is 130 days, and for clinically urgent, overseas-marketed drugs for rare diseases, the review period is 70 days.

The following durations shall be excluded from the relevant work period: (i) the time taken for the applicant to provide supplementary materials, make corrections upon examination, and verify manufacturing processes, quality standards and literature as required; (ii) any delays in examination or inspection due to reasons attributable to the applicant, including the time taken to organise expert advisory meetings; (iii) the duration of any suspension of review and approval procedures in accordance with legal and regulatory provisions; and (iv) the time taken for overseas examination, if such an examination is required.

OTHER LAWS AND REGULATIONS IN RELATION TO MEDICAL INDUSTRY

Coverage of the National Medical Insurance Program

The national medical insurance program was first adopted under the Decision of the State Council on the Establishment of the Urban Employee Basic Medical Insurance Program (《国务院关于建立城镇职工基本医疗保险制度的决定》) issued by the State Council on 14 December 1998. This program requires all employers in urban cities to enroll their employees in the basic medical insurance program, with insurance premiums jointly contributed by the employers and employees. On 10 July 2007, the State Council issued the Guiding Opinions of the State Council about the Pilot Urban Resident Basic Medical Insurance (《国务院关于开展城镇居民基本医疗保险试点的指导意见》), which expanded the program's coverage to include urban residents in the pilot districts, allowing them to voluntarily join urban resident basic medical insurance. In addition, on 3 January 2016, the State Council issued the Opinions of the State Council on Integrating the Basic Medical Insurance Systems for Urban and Rural Residents (《国务院关于整合城乡居民基本医疗保险制度的意见》), requiring the integration of the urban resident basic medical insurance and the new rural cooperative medical care system. This integration established a unified basic medical insurance system covering all urban and rural residents, except for rural migrant workers and individuals in flexible employment arrangements who participate in the basic medical insurance for urban employees.

National Essential Drug List ("NEDL")

On 18 August 2009, the Ministry of Health of the PRC and eight other ministries and commissions in the PRC issued the Provisional Measures on the Administration of the National Essential Drug List (《国家基本药物目录管理办法(暂行)》), which was amended on 13 February 2015, along with the Guidelines on the Implementation of the National Essential Drug List System (《关于建立国家基本药物制度的实施意见》). These measures and guidelines aim to promote the sale of essential medicines at fair prices in the PRC and ensure equal access to the drugs listed in the NEDL for the general public in the PRC. On 30 September 2018, the NHC promulgated the NEDL (2018 edition) (《国家基本药物目录(2018 年版)》), replacing the NEDL (2012 edition) (《国家基本药物目录(2012 年版)》) which was promulgated on 31 March 2013. According to these regulations, basic healthcare institutions funded by the PRC government are required to store and use drugs listed in NEDL. The drugs listed in NEDL shall be purchased by centralised tender process and subject to price adjustments by the NDRC. All remedial drugs in the NEDL are listed in the NRDL and the entire purchase price of such drugs is entitled to reimbursement.

NRDL

According to the NRDL Administrative Measures, which were promulgated by the NHSA on 30 July 2020 and became effective on 1 September 2020, the scope of drugs covered by basic medical insurance shall be administered through a reimbursement drug list.

The NRDL, which was promulgated by the NHSA and the MOHRSS on 27 November 2024 and became effective on 1 January 2025, sets forth the payment standards for pharmaceutical products under the basic medical insurance, work-related injury insurance and maternity insurance funds. Local governments are required to implement the NRDL and are not permitted to adjust its contents at their own discretion. Medicines listed in the NRDL are categorised into two parts – List A and List B. List A drugs are widely used in clinical treatments, have good efficacy, and are lower-priced compared to similar drugs, while List B drugs also offer good clinical efficacy but come at slightly higher prices than those in List A.

According to the NRDL Administrative Measures, a PRDL must be formulated by the provincial healthcare security authorities. Patients purchasing List A drugs can receive direct reimbursement under the basic medical insurance program. For List B drugs, patients must pay a certain percentage of the purchase price upfront and then seek reimbursement under the basic medical insurance program.

Drug Price

Pursuant to the PRC Drug Administration Law, for drug products with market-regulated prices, the DMA holder, the drug manufacturer, the drug distributor and medical institution shall set prices based on principles of fairness, reasonableness, integrity and trustworthiness, ensuring quality for value. This is intended to provide drug users with reasonably priced products. These entities must also comply with drug price administration requirements issued by the State Council's pricing authorities, determining and clearly marking the retail prices of drug products. Pursuant to the Opinions on Promoting Drug Price Reform (《推进药品价格改革意见》), which were jointly promulgated by NDRC, the National Health and Family Planning Commission, the MOHRSS, the MIIT, the Ministry of Finance of the PRC, the MOFCOM and the CFDA and became effective in May 2015, the PRC government will no longer set drug prices, except for narcotic drugs and first-class psychotropic drugs.

Two Invoice System

On 26 December 2016, eight (8) government authorities, including the SFDA, jointly issued the Implementation Notice. The Implementation Notice defines the "Two-Invoice System" as one invoice issued by a drug manufacturer to a distributor, and another invoice issued by the distributor to a medical institution. The Implementation Notice clarifies that the "Two-Invoice System" shall be gradually implemented in the procurement of drugs by public medical institutions, with other medical institutions encouraged to adopt the system, aiming for nationwide implementation by 2018.

On 5 March 2018, six (6) government authorities, including the NHC, jointly issued the Notice on Consolidating the Achievements of Cancelling Drug Markups and Deepening the Comprehensive Reform of Public Hospitals (《关于巩固破除以药补医成果持续深化公立医院综合改革的通知》), requiring the implementation of centralised procurement of high-value medical consumables and the gradual implementation of the "Two-Invoice System" for the purchase and sales of these medical consumables.

On 19 July 2019, the General Office of the State Council issued the Notice on Printing and Distributing the Reform Plan for the Management of High-value Medical Consumables (《关于印发〈治理高值医用耗材改革方案〉的通知》), which encourages local governments to reduce the circulation of high-value

medical consumables and to promote the openness and transparency of purchase and sales through the “Two-Invoice System” and other means. According to the Reply of the National Healthcare Security Administration on Proposal No. 1209 of the Second Session of the 13th National People’s Congress (《国家医疗保障局对十三届全国人大二次会议第 1209 号建议的答复》) issued by NHSA on 23 July 2019, due to the significant differences between high-value consumables and pharmaceuticals, as well as the complexity of their clinical use and after-sales services, further study is needed on the application of the 'Two-Invoice System' to high-value consumables.

Centralised Procurement and Bidding Process

In November 2018, the Central Committee for Comprehensively Deepening Reform (中央全面深化改革委员会) issued Promulgation the Pilot Program for Centralised Drug Procurement Organised by the State (《国家组织药品集中采购试点方案》), which clarified the overall idea of national organization, alliance procurement, and platform operation. After its establishment, the NHSA also took over the work of drug bidding and led the promotion of VBP.

In November 2018, the Joint Procurement Office composed of appointed representatives from 11 pilot regions, represented by Shanghai, issued the Document on Centralised Drug Procurement in “4+7” Cities(《4+7 城市药品集中采购文件》). In January 2019, General Office of the State Council issued the Promulgation the Pilot Program for Centralised Drug Procurement and Use Organised by the State (关于印发国家组织药品集中采购和使用试点方案的通知), selecting 11 cities, including Beijing, Tianjin and Shanghai, as pilot programs for VBP. In September 2019, the Joint Procurement Office issued the Document on Centralised Drug Procurement in the Alliance Area (《联盟地区药品集中采购文件》) on the Shanghai Sunshine Pharmaceutical Procurement website, and the state organised relevant regions to form alliances, carry out cross-regional alliance VBP in accordance with law and compliance, and officially launched the expansion of VBP.

In November 2019, the NHSA issued the Opinions on the Pharmaceutical Pricing Management (《关于做好当前药品价格管理工作的意见》), clearly deepening the reform of VBP, adhering to the direction of "volume procurement, volume price linkage, recruitment and procurement integration", and promoting the return of drug prices to a reasonable level.

In January 2021, General Office of the State Council issued Opinions on Promoting the Centralised Volume-based Procurement of Drugs in a Normalised and Institutionalised Manner (《关于推动药品集中带量采购工作常态化制度化开展的意见》), pointing out that drugs with large dosage and high purchase amount in the basic medical insurance drug list will be included in the procurement scope, and gradually cover all kinds of clinically necessary and reliable drugs listed in the domestic market.

On 20 May 2024, the NHSA published the Notice of the National Healthcare Security Administration on Further Promotion of the Experience of Medical Reform in Sanming City and to Continuously Promote the Innovative Development of Medical Insurance (Yibaohan [2024] No. 25) (《国家医疗保障局关于进一步推广三明医改经验持续推动医保工作创新发展的通知》（医保函[2024]25 号）), providing guidance on centralised procurement practices, aiming to aggressively promote the centralised procurement of drugs and high-value medical consumables organised by national authorities. It emphasises the need to strengthen coordination among regions, guide and promote local governments to conduct centralised procurement in a regulated manner, and support the targeted expansion of the range of drugs and medical consumables under centralised procurement. This expansion is to be led by willing and responsible provinces, with the participation of all provinces. The notice aims to establish a new pattern of centralised procurement, where the provinces organise the centralised procurement of drugs and high-value medical supplies, the national alliance, led by provinces, acts as the main body, and provincial-level centralised procurement serves as a supplement.

On 14 May 2024, the National Healthcare Security Administration published the Notice of the National Healthcare Security Administration on Strengthening Regional Coordination to Improve the Quality and Coverage of Centralised Procurement of Pharmaceuticals in 2024 (Yibaobanfa [2024] No. 8) (《国家医疗保障局办公室关于加强区域协同做好2024年医药集中采购提质扩面的通知》（医保办发[2024]8号）), aiming to improve the centralised pharmaceutical procurement system, promote the quality and coverage of centralised VBP, and further enhance the capacity and scale of local procurement alliances. The goal is to achieve linkage and coordinated progress at the national and local levels, including but not limited to the following:

I. Expanding the Scope of the Alliance and Forming a National Alliance for Centralised Procurement

The National VBP initiative will be conducted by the Joint Procurement Office for both drugs and consumables, with all provinces required to participate and actively implement these schemes. Provincial VBP efforts will enhance coordination at the national level and, when certain conditions are met, will be integrated into a national alliance for centralised procurement (the "**National Alliance VBP**").

Lead provinces are responsible for strengthening communication and coordination with the NHSA, inviting all provinces to join the formation of the National Alliance VBP. The NHSA will oversee and guide the National Alliance VBP, coordinating expert support and improving the standardization of work processes. Lead provinces should leverage their experience with national and local VBPs to conduct thorough investigations, gather opinions and suggestions from various stakeholders, and develop targeted procurement rules tailored to product features. These provinces are also tasked with organising procurement in a standardised manner.

All provinces are expected to participate in the National Alliance VBP, actively contribute ideas, monitor and manage the execution of VBP, and maximise its value. For key aspects such as quantity management, adherence to agreed VBP volumes, price management of non-selected products, and network suspension, it is essential to maintain a unified approach consistent with the lead provinces to avoid "negligence" and "non-compliance" in policy implementation.

The National Alliance VBP must treat all business entities fairly and must not impose discriminatory rules based on factors such as enterprise ownership, registration location, scale, or domestic versus foreign investment. It is crucial to strictly prevent "local protectionism".

II. Strengthening Overall Planning and Coordination

The NHSA will strengthen overall coordination in the selection of VBP varieties, aiming to expand the scope while reducing overlap between national and local VBPs, ensuring that they complement each other. The National VBP for drugs will focus on those that have undergone evaluations for consistency in quality and efficacy. Meanwhile, the National VBP for high-value medical consumables will target items with high prices, significant representation and widespread public demand.

Provinces that meet the relevant conditions are encouraged to take the lead in implementing the National Alliance VBP. This will focus on chemical drugs, proprietary Chinese medicines and Chinese herbal decoction pieces that have not yet been evaluated for consistency, as well as "major drugs" used clinically that have large purchase volumes and a broad patient base. Additionally, drugs and consumables that can be substituted or are related to the clinical use of VBP drugs will be included. Each province should conduct targeted procurement based on the characteristics and cost structure of pharmaceutical consumables in their region, the operation of healthcare funds, and the needs arising from the centralised efforts to combat corruption in the pharmaceutical sector.

REGULATIONS ON PRODUCT LIABILITY

The Product Quality Law of the PRC (《中华人民共和国产品质量法》) promulgated by the SCNPC on 22 February 1993, became effective on 1 September 1993 and last amended on 29 December 2018, stipulates that producers shall be liable for the quality of their products. The products shall meet the following quality requirements: (i) be free from unreasonable dangers threatening the safety of human life and property, and conform to the national standards or trade standards safeguarding the health or safety of human life and property where there are such standards; (ii) possess the properties and functions that ought to be possessed, except for those with instructions stating their functional defects; and (iii) conform to the product standards marked on the products or the packages thereof, and to the state of quality indicated by way of product descriptions, samples, etc. Producers shall be liable to compensation for any damages caused by defects of their products. Any producer who violates this law may be fined and ordered to stop producing illegally manufactured products, and its illegal profits may be confiscated. Where the situation is serious, the business licence shall be revoked. Where a criminal offence is committed, the producer will be held criminally liable.

According to the PRC Civil Code, which was promulgated by the National People's Congress on 28 May 2020 and became effective from 1 January 2021, manufacturers are liable for tort if defects in their products cause damage to others. In cases where a product defect endangers personal or property safety, the aggrieved party may seek compensation from either the manufacturer or the seller of the defective product. Additionally, the party who has paid compensation may seek indemnification from the party responsible for the defect, whether it is the manufacturer or the seller. The PRC Civil Code also provides that victims may require the manufacturer or seller to cease the infringement, remove the obstruction, or eliminate any danger resulting from the defect.

REGULATIONS ON CONSUMER RIGHTS PROTECTION

The Consumer Rights and Interests Protection Law (《中华人民共和国消费者权益保护法》), which was promulgated on 31 October 1993, and last amended and became effective on 15 March 2014, imposes stringent obligations on business operators, including ensuring that the goods they sell meet personal and property safety standards, providing accurate information about products, and guaranteeing the quality, functionality and validity of the goods. Business operators are also required to safeguard customer privacy and maintain strict confidentiality of any consumer information obtained during business operations. Failure to comply with this law may result in civil liabilities, such as refunds, repairs or compensation, as well as administrative sanctions, including warnings, fines, confiscation of illegal income, suspension of business operations, or revocation of business licences. In cases of serious violations, responsible individuals may also face criminal penalties.

REGULATIONS ON CYBER SECURITY AND DATA PROTECTION

On 10 June 2021, the SCNPC promulgated the PRC Data Security Law, which became effective on 1 September 2021. The PRC Data Security Law establishes the regulatory framework and outlines the responsibilities of the relevant administrative authorities in regulating data security. It provides that the central government of the PRC shall establish a central data security work liaison system, which shall coordinate the relevant authorities across different industries to formulate catalogues of important data and implement special measures to protect the security of such important data.

On 7 November 2016, the SCNPC promulgated the PRC Cyber Security Law, which became effective on 1 June 2017. According to the PRC Cyber Security Law, network operators are required to fulfil their obligations to safeguard network security when conducting business and providing services. Service providers operating through networks must implement technical and other necessary measures in accordance with laws, regulations, and compulsory national standards to ensure the safe and stable operation of networks, effectively respond to network security incidents, prevent illegal and criminal activities, and maintain the integrity, confidentiality and usability of network data. Network operators are prohibited from collecting personal information irrelevant to the services they provide, or from collecting

or using personal information in violation of the provisions of laws or agreements with users. Additionally, network operators of critical information infrastructure shall store within the PRC all personal information and important data collected and produced within the PRC. The purchase of network products and services that may affect national security shall be subject to national cyber security review.

According to the PRC Civil Code, the personal information of natural persons is protected by law. Any organisation or individual that needs to obtain personal information from others shall do so legally, ensure information security, and shall not illegally collect, use, process, transmit, trade, provide or disclose personal information. The PRC Personal Information Protection Law, which was promulgated by the SCNPC on 20 August 2021 and became effective from 1 November 2021, further emphasises the duties and responsibilities of the data processors in protecting personal information, and provide stricter protection measures for processing sensitive personal information.

On 30 July 2021, the State Council promulgated the Regulations on the Protection of the Security of Critical Information Infrastructure, which became effective on 1 September 2021. According to the Regulations on the Protection of the Security of Critical Information Infrastructure, "critical information infrastructure" refers to important network facilities and information systems in important industries, such as, among others, public communications and information services, as well as other important network facilities and information systems that, if damaged, disabled, or subject to data leakage, could seriously endanger national security, the national economy, public welfare, or the public interest. These regulations supplement and specify the provisions on the security of critical information infrastructure as stated in the PRC Cyber Security Law, and provide that the competent administrative authorities and supervision and management authorities of the aforementioned important industries are responsible for (1) organising the identification of critical information infrastructures in their respective industries in accordance with certain identification rules, and (2) promptly notifying the identified operators and the Ministry of Public Security of the PRC of the identification results. These regulations require that the relevant operators shall submit a report to the competent PRC administrative authority in accordance with relevant provisions upon the occurrence of any major cybersecurity incident or the discovery of any major cybersecurity threat to the critical information infrastructure. Additionally, operators of critical information infrastructure are required to prioritise the purchase of safe and trusted network products and services. If the purchase of such network products and services may affect national security, such operators shall undergo and pass the cybersecurity review accordingly.

On 28 December 2021, the CAC, jointly with 12 other administrative authorities, promulgated the Measures for Cybersecurity Review, which became effective on 15 February 2022. According to the Measures for Cybersecurity Review, the purchase of network products and services by critical information infrastructure operators and the data processing activities carried out by network platform operators, which affect or may affect national security are subject to cybersecurity review. In addition, network platform operators possessing personal information of over one (1) million users shall be subject to cybersecurity review before listing abroad. The competent administrative authorities may also initiate a cybersecurity review against the operators if they believe that the purchase of network product or services, or the data processing activities of such operators affect or may affect national security.

Based on the above, the advice of our PRC Legal Adviser, and consultation with the China Cybersecurity Review of the Certification and Market Regulation Big Data Centre (which is the governmental agency entrusted by the PRC Cybersecurity Review Office to perform designated duties relating to cybersecurity review), the declaration of cybersecurity review is not applicable to our Group before we apply to list abroad. As of the Latest Practicable Date, (a) our Group is not deemed as a critical information infrastructure operator as we have not received any notification from relevant government authorities regarding our identification as a critical information infrastructure operator; (b) the personal information handled by our Group involves no more than one million users; (c) our Group has not received any notification indicating that our data handling activities affect or may affect national security of the PRC; and (d) our Group has not received any notification regarding cybersecurity review.

On 7 July 2022, the CAC promulgated the Security Assessment Measures, which became effective on 1 September 2022. The Security Assessment Measures provide that, among others, data processors shall apply to CAC for a security assessment if certain thresholds are met. In addition, on 24 February 2023, the Measures on Standard Contract were promulgated by the CAC, which became effective on

1 June 2023. The Measures on Standard Contract include a standard contract template for the outbound transfer of personal information, which can be used to meet the requirements of Article 38 of the Personal Information Protection Law. On 22 March 2024, the CAC promulgated Provisions on Promoting and Regulating Cross-border Data Flows, which became effective on 22 March 2024. The Provisions on Promoting and Regulating Cross-border Data Flows updated the regulatory mechanisms for outbound data transfers. According to the Provisions on Promoting and Regulating Cross-border Data Flows, data processors shall apply for an outbound data transfer security assessment with the CAC in any of the following circumstances: (i) where a critical information infrastructure operator provides personal information or important data abroad; (ii) where a data processor, other than a critical information infrastructure operator, provides important data abroad or, cumulatively as of 1 January of the current year, provides personal information (excluding sensitive personal information) of not less than 1 million people or sensitive personal information of not less than 10,000 people to overseas parties, unless the exemptions specified in Articles 3, 4, 5 and 6 of the Provisions apply. If the data have not been identified or publicly announced as important data by relevant departments or regions, data processors are not required to declare a security assessment for cross-border provision of the data as important data. A data processor, other than a critical information infrastructure operator, shall conclude a standard contract with overseas recipients for provision of personal information abroad or undergo certification for the protection of personal information if it provides abroad, cumulatively as of January 1 of the current year, personal information (excluding sensitive personal information) of not less than 100,000 but not more than 1 million persons, or sensitive personal information of not more than 10,000 persons, unless the exemptions specified in Articles 3, 4, 5 and 6 of the Provisions apply.

On 12 July 2018, the NHC issued the Measures on Health and Medical Care Big Data, which became effective on 12 July 2018. The Measures on Health and Medical Care Big Data provide the guidelines and principles for the standard management, security management, and service management of health and medical big data. According to the Measures on Health and Medical Care Big Data, the NHC, together with other relevant departments, is responsible for the management of national health and medical care big data, while the health authorities above the county level, in collaboration with other relevant departments, are responsible for the management of health and medical care big data within their respective administrative regions. Medical institutions and relevant enterprises, including those engaged by medical institutions to store or operate health and medical care big data, shall implement measures, such as data classification, important data backup and encryption, to ensure the security of this health and medical care big data, and provide secured channels for the query and replication of information. Pursuant to the PRC Cyber Security Law, the responsible parties shall strictly control user access and data usage according to their authorisation levels, ensuring that data is used within the authorised scope. Unauthorised units or individuals are prohibited from using or disseminating health and medical care big data or from accessing data beyond the scope of authorisation, as well as from obtaining data through illegal means. When disclosing health and medical care big data, the responsible parties must comply with relevant regulations, ensuring that state secrets, trade secrets or personal privacy are not divulged, and that the interests of the state, the public, and the legitimate rights and interests of citizens, enterprises, or other organisations are not infringed upon.

REGULATIONS ON THE IMPORT AND EXPORT OF GOODS

Under the Foreign Trade Law, which was promulgated by the SCNPC on 12 May 1994, came into effect on 1 July 1994 and last amended with effect from 30 December 2022, foreign trade operators engaged in the import and export of goods or technologies are no longer required to make a record-filing with the administrative authority of the foreign trade of the State Council or its authorised agency from 30 December 2022.

Pursuant to the Administrative Provisions of the Customs of the PRC on Record-filing of Customs Declaration Entities (《中华人民共和国海关报关单位备案管理规定》), which was promulgated by the General Administration of Customs on 19 November 2021 and became effective on 1 January 2022, unless otherwise required by laws, where the consignee or consignor of imported or exported goods or a customs declaration enterprise applies for fillings, it shall obtain the qualification of market entities; particularly where the consignee or consignor of imported or exported goods applies for fillings, it shall be filed as a foreign trade business. Where the consignee or consignor of imported or exported goods

or a customs declaration enterprise has completed relevant fillings for customs declaration entities, the branches that meet the requirements of the preceding paragraph may also apply for filling for customs declaration entities.

REGULATIONS ON ENVIRONMENT PROTECTION AND WORK SAFETY

Environmental Protection Law

Pursuant to the Environmental Protection Law promulgated by the SCNPC on 26 December 1989, amended on 24 April 2014 and became effective on 1 January 2015, any entity which discharges or will discharge pollutants during the course of operations or other activities must implement effective environmental protection safeguards and procedures to control and properly treat waste gas, wastewater, waste residue, dust, malodorous gases, radioactive substances, noise, vibrations, electromagnetic radiation, and other hazards produced during such activities.

The MOEE and its local counterparts, and the local people's governments impose various administrative penalties on individuals or entities in violation of the Environmental Protection Law. Such penalties include warnings, fines, orders to rectify within the prescribed period, orders to cease construction, orders to restrict or suspend production, orders to make recovery, orders to disclose relevant information or make an announcement, imposition of administrative action against relevant responsible persons, and orders to shut down enterprises. Any individual or entity that pollutes the environment resulting in damage could also be held liable under the PRC Civil Code. Environmental organisations may also bring lawsuits against any entity that discharges pollutants detrimental to the public welfare. Where any violation of the provision of the Environmental Protection Law constitutes a crime, criminal liabilities shall be investigated in accordance with the PRC Criminal Law (《中华人民共和国刑法》).

Environment Impact Assessment Law

Pursuant to the Law of the People's Republic of China on Environment Impact Assessment (《中华人民人民共和国环境影响评价法》), which was issued on 28 October 2002 and most recently amended on 29 December 2018, the State Council implemented an EIA, to classify projects according to the impact of the projects on the environment. Entities shall have to prepare an EIR or EIS, or fill out an EIR form according to the following rules: (i) for projects with potentially serious environmental impacts, an EIR shall be prepared to provide a comprehensive assessment of their environmental impacts; (ii) for projects with potentially mild environmental impacts, an EIS shall be prepared to provide an analysis or specialised assessment of the environmental impacts; and (iii) for projects with very small environmental impacts, an EIA is not required but an EIR Form shall be completed.

Regulations on Urban Drainage and Sewage Treatment

Pursuant to the Regulations on Urban Drainage and Sewage Disposal (《城镇排水与污水处理条例》), which was promulgated 2 October 2013 and came into effect on 1 January 2014, and the Measures for the Administration of Permits for the Discharge of Urban Sewage into the Drainage Network (《城镇污水排入排水管网许可管理办法》), which was promulgated on 22 January 2015 and last amended on 1 December 2022, drainage entities covered by urban drainage facilities shall discharge sewage into urban drainage facilities in accordance with the relevant provisions of the state. Where a drainage entity needs to discharge sewage into urban drainage facilities, it shall apply for a drainage licence in accordance with the provisions of these Measures. The drainage entity that has not obtained the drainage licence shall not discharge sewage into urban drainage facilities.

Regulations on Work Safety

Under relevant construction safety laws and regulations, including the Work Safety Law of the PRC (《中华人民共和国安全生产法》) which was promulgated by the SCNPC on 29 June 2002 and last amended on 10 June 2021, production and operating business entities must establish objectives and measures for work safety and improve the working environment and conditions for workers in a planned and systematic way. A work safety protection scheme must also be set up to implement the work safety job responsibility system. In addition, production and operating business entities must arrange work safety training and provide the employees with protective equipment that meets the national standards or industrial standards. Furthermore, production and operating business entities shall report their major hazard sources and related safety and emergency measures to the emergency management department and other relevant departments for the record, and establish a safety risk grading control system and take corresponding control measures. Pharmaceutical product manufacturers are subject to the above-mentioned environment protection and work safety requirements regulated by the MOEE, the Ministry of Emergency Management of the PRC (中华人民共和国应急管理部), its local counterparts, and the local people's governments.

REGULATIONS ON FOREIGN INVESTMENT IN THE PRC

Company Law

Companies established and businesses operating in the PRC are subject to the PRC Company Law, which was promulgated by the SCNPC on 29 December 1993, was last amended on 29 December 2023 and which became effective on 1 July 2024. The PRC Company Law, regulated by SAMR, MOFCOM, and their local counterparts, provides general regulations for companies' set up and operation in the PRC including the FIEs. Unless otherwise provided in the PRC Foreign Investment Law, the provisions in the PRC Company Law shall prevail.

In accordance with the PRC Company Law, an FIE is required to make appropriation to a SRF. At least 10% of the statutory after-tax profits must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the company's registered capital. The SRF may be used to offset any accumulated losses or increase the registered capital. The SRF is not available for dividend distribution to shareholders.

Foreign Investment Law

The establishment procedures, examination and approval procedures, registered capital requirement, foreign exchange restriction, accounting practices, taxation, and labour matters of a wholly foreign-owned enterprise are governed by the Wholly Foreign-owned Enterprise Law, which was promulgated by the SCNPC on 12 April 1986, last amended on 3 September 2016, became effective on 1 October 2016 and expired when the Foreign Investment Law came into force. The Foreign Investment Law, which was promulgated by the National People's Congress of the PRC on 15 March 2019, and became effective on 1 January 2020, repealed simultaneously the Wholly Foreign-owned Enterprise Law, Sino-foreign Equity Joint Ventures Law of the PRC (《中华人民共和国中外合资经营企业法》), Sino-foreign Cooperative Joint Ventures Law of the PRC (《中华人民共和国中外合作经营企业法》), and their respective implementations. FIEs established prior to the Foreign Investment Law in accordance with the aforesaid laws may retain their original business forms for five (5) years after the Foreign Investment Law comes into force. The term ''foreign investments'', according to the Foreign Investment Law, refers to investment activities within the PRC directly or indirectly conducted by foreign natural persons, enterprises, or other organisations (the "**foreign investors**"), including the following circumstances: (i) a foreign investor, alone or jointly with any other investors, forms a foreign-invested companies within the PRC; (ii) a foreign investor acquires any shares, equities, portion of property, or other similar interests in a PRC domestic enterprise; (iii) a foreign investor, alone or jointly with any other investors,

invests in any new PRC domestic project; and (iv) the investments in any other manner as specified by laws, administrative regulations or provisions regulated by the State Council. The Foreign Investment Law stipulates that the PRC implements system of pre-establishment national treatment and negative list foreign investment. The negative list, which would be issued by or upon approval by the State Council, refers to special administrative measures for access of foreign investment in specific fields in China. A foreign investor shall not invest in any field prohibited from foreign investment under the negative list. A foreign investor shall meet the investment conditions stipulated under the negative list for any restricted fields under the negative list. For fields not mentioned in such negative list, there shall be equal treatment of domestic and foreign investments. Foreign-invested enterprises can raise funds through public issuance of stocks, corporate bonds, and other securities in accordance with the law.

REGULATIONS ON INTELLECTUAL PROPERTY RIGHTS

Patent Law

According to the Patent Law of the PRC (《中华人民共和国专利法》) promulgated by the SCNPC on 12 March 1984 and currently effective from 1 June 2021, the State Intellectual Property Office is responsible for administering patent law in the PRC. The patent administration departments of provincial, autonomous regions or municipal governments are responsible for administering patent law within their respective jurisdictions. The Chinese patent system adopts a first-to-file principle, which means that when more than one (1) person files different patent applications for the same invention, only the person who files the application first is entitled to obtain a patent of the invention. To be patentable, an invention or a utility model must meet three (3) criteria: novelty, inventiveness, and practicability. The protection period is twenty years for an invention patent, ten years for a utility model patent and fifteen years for a design patent, commencing from their respective application dates.

Regulations on Copyright

The Copyright Law, promulgated by the SCNPC on 7 September 2020, which was last amended on 11 November 2020 and became effective on 1 June 2021, provides that Chinese citizens, legal persons, or other organisations shall, whether published or not, own copyright in their copyrightable works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. Copyright owners enjoy certain legal rights, including right of publication, right of authorship and right of reproduction. The Copyright Law extends copyright protection to Internet activities, products disseminated over the Internet and software products. In addition, the Copyright Law provides for a voluntary registration system administered by the China Copyright Protection Centre. According to the Copyright Law, an infringer of the copyrights shall be subject to various civil liabilities, which include ceasing infringement activities, apologising to the copyright owners and compensating the loss of the copyright owner. Infringers of a copyright may also be subject to fines and/or administrative or criminal liabilities in severe situations.

Pursuant to the Computer Software Copyright Protection Regulations (《计算机软件保护条例》) promulgated by the State Council on 20 December 2001 and amended on 30 January 2013, the software copyright owner may go through the registration formalities with a software registration authority recognised by the State Council's copyright administrative department. The software copyright owner may authorise others to exercise that copyright, and is entitled to receive remuneration.

Trademark Law

Trademarks are protected by the Trademark Law which was promulgated by the SCNPC on 23 August 1982 and last amended in 2019, as well as by the Implementation Regulations of the PRC Trademark Law (《中华人民共和国商标法实施条例》) promulgated by the State Council in 2002 which was last amended on 29 April 2014. The Trademark Office under the SAMR handles trademark registrations.

The Trademark Office grants a ten-year term to registered trademarks and the term may be renewed for another ten-year period upon request by the trademark owner. A trademark registrant may licence its registered trademarks to another party by entering into trademark licence agreements, which must be filed with the Trademark Office for its record. As with patents, the Trademark Law has adopted a first-to-file principle with respect to trademark registration. If a trademark applied for is identical or similar to another trademark which has already been registered or subject to a preliminary examination and approval for use on the same or similar kinds of products or services, such trademark application may be rejected. Any person applying for the registration of a trademark may not injure existing trademark rights first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a "sufficient degree of reputation" through such party's use.

Regulations on Domain Names

The MIIT promulgated the Domain Name Measures on 24 August 2017, which took effect on 1 November 2017. Pursuant to the Domain Name Measures, the MIIT oversees the administration of PRC internet domain names. The domain name registration follows a first-to-file principle. Applicants for registration of domain names must provide the true, accurate, and complete information of their identities to domain name registration service institutions. The applicants will become the holder of such domain names upon the completion of the registration procedure.

REGULATIONS ON TAXATION

Enterprise Income Tax

Pursuant to the EIT Law and the EIT Implementation Regulations, both resident enterprises and non-resident enterprises are subject to tax in the PRC, regulated by the STA and its local counterparts. Resident enterprises are defined as enterprises that are established in China in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but are actually or in effect controlled from within the PRC. Non-resident enterprises are defined as enterprises that are organised under the laws of foreign countries and whose actual management is conducted outside the PRC, but have established institutions or premises in the PRC, or have no such established institutions or premises but have income generated from inside the PRC. Under the EIT Law and the EIT Implementation Regulations, a uniform corporate income tax rate of 25% is applied. However, if non-resident enterprises have not formed permanent establishments or premises in the PRC, or if they have formed permanent establishment or premises in the PRC but there is no actual relationship between the relevant income derived in the PRC and the established institutions or premises set up by them, enterprise income tax is set at the rate of 10% with respect to their income sourced from the PRC.

Value-added Tax

Pursuant to the VAT Law and the Order 691, all enterprises and individuals engaged in the sale of goods, the provision of processing, repair and replacement services, sales of services, intangible assets, real property, and the importation of goods within the territory of the PRC shall be liable to pay VAT. According to Announcement 39, regulated by the STA and its local counterparts, the VAT tax rates generally applicable are simplified as 13%, 9%, 6% and 0%, which become effective on 1 April 2019, and the VAT tax rate applicable to the small-scale taxpayers is 3%.

Dividend Withholding Tax

The EIT Law provides that since 1 January 2008, an income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident investors that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is

not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC.

Pursuant to the Double Taxation Avoidance Arrangement, and other applicable PRC laws, if a Hong Kong (China) resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Taxation Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong (China) resident enterprise receives from a PRC resident enterprise may be reduced to 5%. However, based on the Circular on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《关于执行税收协定股息条款有关问题的通知》), issued on 20 February 2009 by the STA, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. According to the Circular on Several Questions regarding the "Beneficial Owner" in Tax Treaties (《关于税收协定中受益所有人有关问题的公告》), which was issued on 3 February 2018 by the STA and became effect on 1 April 2018, when determining the applicant's status as the "beneficial owner" regarding tax treatments in connection with dividends, interests or royalties in the tax treaties, several factors, including, without limitation, whether the applicant is obligated to pay more than 50% of his or her income in twelve months to residents in third country or region, whether the business operated by the applicant constitutes the actual business activities, and whether the counterparty country or region to the tax treaties does not levy any tax or grant any tax exemption on relevant incomes or levy tax at an extremely low rate, will be taken into account, and such factors will be analysed according to the actual circumstances of the specific cases.

This circular further provides that an applicant who intends to prove his or her status as the "beneficial owner" shall submit the relevant documents to the relevant tax bureau according to the Administrative Measures for Non-Resident Enterprises to Enjoy Treatments under the Double Taxation Avoidance Arrangement.

REGULATIONS ON EMPLOYMENT AND SOCIAL WELFARE

Labour Contract Law

The PRC Labour Contract Law, which was promulgated on 29 June 2007 and amended on 28 December 2012, is primarily aimed at regulating rights and obligations of employer and employee relationships, including the establishment, performance, and termination of labour contracts. Pursuant to the PRC Labour Contract Law, regulated by the MOHRSS and its local counterparts, labour contracts shall be concluded in writing if labour relationships are to be or have been established between employers and employees. If an employee is a part-time labour, which is a form of labour for which the remuneration is mainly calculated on an hourly basis, the employee's average daily working hours shall not exceed four (4) hours and the aggregate working hours per week shall not exceed twenty-four hours for the same employer. Both parties to part-time labour may conclude an oral agreement. Either party to part-time labour may notify the other party at any time to terminate employment. Upon termination of employment, the employer will not have to pay severance pay to the employee.

Employers are prohibited from forcing employees to work above certain time limits and employers shall pay employees for overtime work in accordance with national regulations. In addition, employee wages shall be no lower than local standards on minimum wages and must be paid to employees in a timely manner.

Interim Provisions on Labour Dispatch

Pursuant to the Interim Provisions on Labour Dispatch (《劳务派遣暂行规定》) promulgated and regulated by the MOHRSS on 24 January 2014 and became effective on 1 March 2014, dispatched

workers are entitled to equal pay with full-time employees for equal work. Employers are allowed to use dispatched workers for temporary, auxiliary, or substitutive positions, and the number of dispatched workers may not exceed 10% of the total number of employees. Pursuant to the PRC Labour Contract Law, if the employer violates the relevant labour dispatch regulations, the labour administrative department shall order it to make corrections within a prescribed time limit; if it fails to make corrections within the time limit, penalty will be imposed on the basis of more than RMB5,000 and less than RMB10,000 per person.

Social Insurance and Housing Fund

As required under the Social Insurance Law, the Provisional Measures for Maternity Insurance of Employees of Corporations (《企业职工生育保险试行办法》) implemented on 1 January 1995, the Decisions on the Establishment of a Unified Program for Old-Aged Pension Insurance of the State Council (《国务院关于建立统一的企业职工基本养老保险制度的决定》) issued on 16 July 1997, the Decisions on the Establishment of the Medical Insurance Program for Urban Workers of the State Council (《国务院关于建立城镇职工基本医疗保险制度的决定》) promulgated on 14 December 1998, the Unemployment Insurance Measures (《失业保险条例》) promulgated on 22 January 1999 and the Regulation of Insurance for Labour Injury (《工伤保险条例》) implemented on 1 January 2004 and amended in 2010, employers are required to provide their employees in the PRC with welfare benefits covering pension insurance, unemployment insurance, maternity insurance, work-related injury insurance and medical insurance. These payments are made to local human resources and social security departments. Any employer that fails to make social insurance contributions may be ordered to rectify the non-compliance and pay the required contributions within a prescribed time limit and be subject to a late fee. If the employer still fails to rectify the failure to make the relevant contributions within the prescribed time, it may be subject to a fine ranging from one to three times the amount overdue.

In accordance with the Regulations on the Administration of Housing Funds which were promulgated by the State Council in 1999 and last amended in March 2019, employers must register at the designated administrative centres and open bank accounts for depositing employees' housing funds. Regulated by the MOHURD and its local housing fund administration centres, employer and employee are also required to pay and deposit housing funds, with an amount no less than 5% of the monthly average salary of each employee in the preceding year in full and on time.

Employee Stock Incentive Plan

Pursuant to the Notice of Issues Related to the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Listed Company (《国家外汇管理局关于境内个人参与境外上市公司股权激励计划外汇管理有关问题的通知》), which was issued by the SAFE on 15 February 2012, employees, directors, supervisors, and other senior management who participate in any stock incentive plan of a publicly-listed overseas company and who are PRC individuals or non-PRC individuals residing in China for a continuous period of no less than one (1) year, subject to a few exceptions, are required to register with the SAFE through a qualified domestic agent, which may be a PRC subsidiary of such overseas listed company, and complete certain other procedures.

In addition, the STA has issued certain circulars concerning employee stock options and restricted shares. Under these circulars, employees working in the PRC who exercise stock options or are granted restricted shares will be subject to PRC individual income tax. The PRC subsidiaries of an overseas listed company are required to file documents related to employee stock options and restricted shares with relevant tax authorities and to withhold individual income taxes of employees who exercise their stock options or purchase restricted shares. If the employees fail to pay or the PRC subsidiaries fail to withhold income tax in accordance with relevant laws and regulations, the PRC subsidiaries may face sanctions imposed by the tax authorities or other PRC governmental authorities.

M&A RULES AND OVERSEAS LISTING

On 8 August 2006, six (6) PRC governmental and regulatory agencies, including the MOFCOM and the CSRC, promulgated the M&A Rules, governing the mergers and acquisitions of domestic enterprises by foreign investors that became effective on 8 September 2006 and was revised on 22 June 2009. The M&A Rules, among other things, require that if an overseas company established or controlled by the PRC Citizens intends to acquire equity interests or assets of any other PRC domestic company affiliated with the PRC Citizens, such acquisition must be submitted to the MOFCOM for approval. The M&A Rules also require that an offshore special vehicle, or a special purpose vehicle formed for overseas listing purposes and controlled directly or indirectly by the PRC Citizens, shall obtain the approval of the CSRC prior to overseas listing and trading of such special purpose vehicle's securities on an overseas stock exchange.

On 6 July 2021, the General Office of the State Council and General Office of the Central Committee of the Communist Party of China (中共中央办公厅) issued Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law (《关于依法从严打击证券违法活动的意见》). The opinions emphasised the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by PRC-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by PRC-based overseas-listed companies. On 17 February 2023, the CSRC issued the PRC Overseas Listing Regulations, which became effective on 31 March 2023, and five (5) supporting guidelines. Pursuant to the PRC Overseas Listing Regulations, companies in the PRC that directly or indirectly offer or list their securities in an overseas market, including a company in the PRC limited by shares and an offshore company whose main business operations are in the PRC and intends to offer shares or be listed in an overseas market based on its equities, assets or similar interests in the PRC are required to file with the CSRC within three (3) business days after submitting their listing application documents to the regulator in the place of intended listing. Failure to complete the filing under the PRC Overseas Listing Regulations or concealment of any material fact or falsification of any major content in its filing documents may subject the company to administrative penalties, such as orders to rectify, warnings, fines, and its controlling shareholders, actual controllers, direct officers-in-charge and other direct personnel-in-charge may also be subject to administrative penalties, such as warnings and fines. The PRC Overseas Listing Regulations also provide that a company in the PRC must file with the CSRC within three (3) business days for its follow on offering of securities after it is listed in an overseas market.

In addition, pursuant to the PRC Overseas Listing Regulations, enterprises in the PRC are prohibited from overseas offering and listing under any of the following circumstances, if (i) the overseas offering and listing is explicitly prohibited by PRC laws; (ii) the overseas offering and listing may constitute a threat to or endanger national security as determined by relevant PRC authorities; (iii) the domestic enterprises and their controlling shareholders and actual controllers have committed certain criminal offenses (such as corruption, bribery, embezzlement, misappropriation of property or other criminal offenses undermining the order of the socialist market economy) in the past three (3) years; (iv) the domestic enterprises are currently under investigations in connection with suspicion of having committed criminal offences or material violations of applicable laws and regulations and there is still no explicit conclusion; or (v) there are material ownership disputes over the shareholdings held by the controlling shareholder or the shareholder under the control of the controlling shareholder or the actual controllers.

On 24 February 2023, the CSRC, jointly with other relevant governmental authorities, issued the Provisions on Strengthening the Confidentiality and Archive Management Work Relating to the Overseas Securities Offering and Listing by Domestic Companies (《关于加强境内企业境外发行证券和上市相关保密和档案管理工作的规定》), which took effect on 31 March 2023, and pursuant to which companies based in the PRC that offer and list securities in overseas markets shall establish confidentiality and archives system. The phrase "companies based in the PRC" refers to companies in

the PRC limited by shares which are directly listed in the overseas capital market and the domestic operation entities of an offshore company being indirectly listed in a foreign stock exchange. The companies based in the PRC shall obtain approval from the relevant authorities and file with the confidential administration department at the same level when providing or publicly disclosing documents and materials related to state secrets or secrets of the government authorities to the relevant securities companies, securities service agencies or the offshore regulatory authorities, or providing or publicly disclosing such documents and materials through its offshore listing entity. In addition, the companies based in the PRC should complete corresponding procedures when (i) providing or publicly disclosing documents and materials which may adversely affect national security and public interest to the relevant securities companies, securities service agencies or the offshore regulatory authorities, (ii) providing or publicly disclosing such documents and materials through its offshore listing entity; or (iii) providing accounting files or copies to relevant security companies, security service institutions, overseas regulators and individuals. The companies based in the PRC are also required to provide written statements on the implementation of the aforementioned rules to the relevant securities companies and securities service agencies. If a company based in the PRC finds that the documents and materials related to state secrets or secrets of the government authorities or other materials which may adversely affect national security and public interest have been leaked or are going to be leaked, it should take remedial measures immediately and report to the relevant authorities.

REGULATIONS ON FOREIGN EXCHANGE

General Principles of Foreign Exchange

Under the Administrative Regulations on Foreign Exchange of the PRC promulgated on 29 January 1996 and most recently amended on 5 August 2008 and various regulations issued by the SAFE and other relevant PRC government authorities, Renminbi is convertible into other currencies for current account items, such as trade-related receipts and payments and payment of interest and dividends. The conversion of Renminbi into other currencies and remittance of the converted foreign currency outside the PRC of capital account items, such as direct equity investments, loans and repatriation of investment, requires the prior approval from the SAFE or its local office.

Payments for transactions that take place within the PRC must be made in Renminbi. Unless otherwise approved, PRC companies may not repatriate foreign currency payments received from abroad or retain the same abroad. Foreign-invested enterprises may retain foreign exchange in accounts with designated foreign exchange banks under the current account items subject to a cap set by the SAFE or its local branch. Foreign exchange proceeds under the current accounts may be either retained or sold to a financial institution engaged in settlement and sale of foreign exchange pursuant to relevant SAFE rules and regulations. For foreign exchange proceeds under the capital accounts, approval from the SAFE is generally required for the retention or sale of such proceeds to a financial institution engaged in settlement and sale of foreign exchange.

Pursuant to the SAFE Circular 59, approval of SAFE is not required for opening a foreign exchange account and depositing foreign exchange into the accounts relating to the direct investments. The SAFE Circular 59 also simplified foreign exchange-related registration required for the foreign investors to acquire the equity interests of Chinese companies and further improve the administration on foreign exchange settlement for foreign-invested enterprises.

The SAFE Circular 13, effective from 1 June 2015, cancels the administrative approvals of foreign exchange registration of direct domestic investment and direct overseas investment and simplifies the procedure of foreign exchange-related registration. Pursuant to SAFE Circular 13, the investors shall register with banks for direct domestic investment and direct overseas investment.

The SAFE Circular 19, which was promulgated by the SAFE on 30 March 2015 and amended on 30 December 2019, provides that a foreign-invested enterprise may, according to its actual business needs, settle with a bank the portion of the foreign exchange capital in its capital account for which the relevant foreign exchange administration has confirmed monetary capital contribution rights and interests (or for which the bank has registered the injection of the monetary capital contribution into the account). Pursuant to the SAFE Circular 19, for the time being, foreign-invested enterprises are allowed to settle 100% of their foreign exchange capital on a discretionary basis; a foreign-invested enterprise shall truthfully use its capital for its own operational purposes within the scope of business; where an ordinary foreign-invested enterprise makes domestic equity investment with the amount of foreign exchanges settled, the foreign-invested enterprise must first go through domestic re-investment registration and open a corresponding account for foreign exchange settlement pending payment with the foreign exchange administration or the bank at the place where it is registered.

The SAFE Circular 16, which was promulgated by the SAFE and became effective on 9 June 2016, provides that enterprises registered in the PRC may also convert their foreign debts from foreign currency into Renminbi on a self-discretionary basis. The SAFE Circular 16 also provides an integrated standard for conversion of foreign exchange under capital account items (including, but not limited to, foreign currency capital and foreign debts) on a self-discretionary basis, which applies to all enterprises registered in the PRC.

According to the Administrative Rules on the Registration of Market Entities of PRC (《中华人民共和国市场主体登记管理条例》), which were promulgated by the State Council on 27 July 2021 and became effective on 1 March 2022, and other laws and regulations governing the foreign-invested enterprises and company registrations, the establishment of a foreign-invested enterprise and any capital increase and other major changes in a foreign-invested enterprise shall be registered with the SAMR or its local counterparts, and shall be filed via the foreign investment comprehensive administrative system (the "**FICMIS**"), if such foreign-invested enterprise does not involve special access administrative measures prescribed by the PRC government.

On 23 October 2019, the SAFE issued the SAFE Circular 28. This circular allows the foreign-invested enterprises without equity investment as in their approved business scope to use their capital obtained from foreign exchange settlement to make domestic equity investment as long as the investments are real and in compliance with the foreign investment-related laws and regulations. In addition, this circular stipulates that qualified enterprises in certain pilot areas may use their capital income from registered capital, foreign debt and overseas listing, for the purpose of domestic payments without providing authenticity certifications to the relevant banks in advance for those domestic payments. Payments for transactions that take place within the PRC must be made in RMB. Foreign currency revenues received by PRC companies may be repatriated into the PRC or retained outside of the PRC in accordance with requirements and terms specified by SAFE.

Pursuant to the SAFE Circular 13 and other laws and regulations relating to foreign exchange, when setting up a new foreign-invested enterprise, the foreign-invested enterprise shall register with the bank located at its registered place after obtaining the business licence, and if there is any change in capital or other changes relating to the basic information of the foreign-invested enterprise, including, without limitation, any increase in its registered capital or total investment, the foreign-invested enterprise must register such changes with the bank located at its registered place after obtaining approval from or completing the filing with competent authorities. Pursuant to the relevant foreign exchange laws and regulations, the above-mentioned foreign exchange registration with the banks will typically take less than four (4) weeks upon the acceptance of the registration application.

Based on the foregoing, if we intend to provide funding to our wholly foreign-owned subsidiaries through capital injection at or after their establishment, we must register the establishment of and any follow-on

capital increase in our wholly foreign-owned subsidiaries with the SAMR or its local counterparts, file such via the FICMIS and register such with the local banks for the foreign exchange related matters.

Loans by the Foreign Companies to their PRC Subsidiaries

A loan made by foreign investors as shareholders in a foreign-invested enterprise is considered to be foreign debt in China and is regulated by various laws and regulations, including the Administrative Regulations on Foreign Exchange Administration, the Interim Provisions on the Management of Foreign Debts (《外债管理暂行办法》), the Statistical Monitoring of Foreign Debts Tentative Provisions (Revised in 2020) (《外债统计监测暂行规定(2020 修订)》), the Detailed Rules for the Implementation of Provisional Regulations on Statistics and Supervision of External Debt (《外债统计监测实施细则》), and the Administrative Measures for Registration of Foreign Debts (《外债登记管理办法》). Under these rules and regulations, a shareholder loan in the form of foreign debt made to a PRC entity does not require the prior approval of the SAFE. However, such foreign debt must be registered with and recorded by the SAFE or its local branches within 15 business days after entering into the foreign debt contract. Pursuant to these rules and regulations, the balance of the foreign debts of a foreign-invested enterprise shall not exceed the difference between the total investment and the registered capital of the foreign-invested enterprise (the "**Total Investment and Registered Capital Balance**").

On 12 January 2017, the PBOC promulgated the PBOC Notice No. 9. Pursuant to PBOC Notice No. 9, within a transition period of one (1) year from 12 January 2017, the foreign-invested enterprises may adopt the currently valid foreign debt management mechanism (the "**Current Foreign Debt Mechanism**"), or the mechanism as provided in PBOC Notice No. 9 (the "**Notice No. 9 Foreign Debt Mechanism**"), at their own discretion. PBOC Notice No. 9 provides that enterprises may conduct independent cross-border financing in RMB or foreign currencies as required. Pursuant to PBOC Notice No. 9, the outstanding cross-border financing of an enterprise (the outstanding balance drawn, here and below) shall be calculated using a risk-weighted approach (the "**Risk-Weighted Approach**"), and shall not exceed certain specified upper limits. PBOC Notice No. 9 further provides that the upper limit of risk-weighted outstanding cross-border financing for enterprises shall be equal to 200% of its net assets multiplied by macro-prudential regulation parameter (the "**Net Asset Limits**"). The macro-prudential regulation parameter shall be that enterprises shall file with the SAFE in its capital item information system after entering into the relevant cross-border financing contracts and prior to three (3) business days before drawing any money from the foreign debts.

Based on the foregoing, if we provide funding to our wholly foreign-owned subsidiaries through shareholder loans, the balance of such loans shall not exceed the Total Investment and Registered Capital Balance and we will need to register such loans with the SAFE or its local branches in the event that the Current Foreign Debt Mechanism applies, or the balance of such loans shall be subject to the Risk-Weighted Approach and the Net Asset Limits, and we will need to file the loans with the SAFE in its information system in the event that the Notice No. 9 Foreign Debt Mechanism applies. According to PBOC Notice No. 9, after a transition period of one (1) year from 11 January 2017, the PBOC and the SAFE will determine the cross-border financing administration mechanism for the foreign-invested enterprises after evaluating the overall implementation of PBOC Notice No. 9. As of the date hereof, neither the PBOC nor the SAFE has promulgated and made public any further rules, regulations, notices or circulars in this regard. It is uncertain which mechanism will be adopted by the PBOC and the SAFE in the future and what statutory limits will be imposed on us when providing loans to our PRC subsidiaries.

REGULATIONS ON DIVIDEND DISTRIBUTION

The principal regulations governing distribution of dividends of foreign-invested enterprises include Foreign Investment Law and the PRC Company Law regulated by SAMR, MOFCOM, and their local counterparts, wholly foreign-owned enterprises and Sino-foreign equity joint ventures in the PRC may

pay dividends only out of their accumulated profits, if any, as determined in accordance with PRC accounting standards and regulations. Additionally, these foreign-invested enterprises may not pay dividends unless they set aside at least 10% of their respective accumulated profits after tax each year, if any, to fund certain reserve funds, until such time as the accumulative amount of such fund reaches 50% of the enterprise's registered capital. In addition, these companies also may allocate a portion of their after-tax profits based on PRC accounting standards to employee welfare and bonus funds at their discretion. These reserves are not distributable as cash dividends.

HONG KONG (CHINA)

This section sets forth a summary of certain laws and regulations which are relevant to our Group's business in Hong Kong (China). Information contained in this section should not be construed as a comprehensive summary of the laws and regulations applicable to our Group.

Import and Export (Registration) Regulations

The Import and Export (Registration) Regulations provide that every person who imports or exports any article other than an exempted article shall lodge an accurate and complete import or export declaration relating to such article with the Hong Kong Commissioner of Customs and Excise within 14 days after the importation or exportation of the article.

Any person who fails or neglects to declare within 14 days after importation or exportation without reasonable excuse is liable to a fine of HK$2,000 upon summary conviction and commencing on the day following the date of conviction, a fine of HK$100 in respect of every day during which his failure or neglect to lodge such declaration continues. Furthermore, any person who knowingly or recklessly lodges any declaration with the Hong Kong Commissioner of Customs and Excise that is inaccurate in any material particular shall be guilty of an offence and shall be liable to a fine of HK$10,000 on summary conviction.

Further, a penalty is payable for any person who does not lodge the declaration within 14 days after the importation or exportation. If the total value of articles specified in a declaration does not exceed HK$20,000, the penalty payable will be: (i) HK$20 for lodgement of declaration after 14 days but within one (1) month and 14 days after the importation or exportation; (ii) HK$40 for lodgement of declaration after one (1) month and 14 days but within two (2) months and 14 days after importation or exportation; and (iii) HK$100 for lodgement of declaration after two (2) months and 14 days after the importation or exportation. If the total value of articles specified in a declaration exceeds HK$20,000, the aforesaid penalty charges will be doubled to HK$40, HK$80 and HK$200 respectively.

Employment Ordinance

The Employment Ordinance provides various employment-related benefits and entitlements to employees. All employees covered by the Employment Ordinance, irrespective of their hours of work, are entitled to basic protection under the Employment Ordinance including, among others, payment of wages (which is defined under the Employment Ordinance to include, among others, remuneration and overtime pay), restrictions on wages deductions and granting of statutory holidays. Employees who are employed under a continuous contract may be further entitled to such benefits as rest days, paid annual leave, sickness allowance, severance payment and long service payment.

Under section 25 of the Employment Ordinance, where a contract of employment is terminated, any sum due to the employee (other than severance payment, if any) shall be paid to him as soon as it is practicable and, in any case, not later than seven (7) days after the day of termination. Any employer who wilfully and without reasonable excuse contravenes section 25 of the Employment Ordinance commits an offence and is liable to a maximum fine of HK$350,000 and to imprisonment for a maximum

of three (3) years. Further, under section 25A of the Employment Ordinance, if any wages or any sum referred to in section 25(2)(a) of the Employment Ordinance are not paid within seven (7) days from the day on which they become due, the employer shall pay interest at a specified rate on the outstanding amount of wages or sum from the date on which such wages or sum become due up to the date of actual payment. Any employer who wilfully and without reasonable excuse contravenes section 25A of the Employment Ordinance commits an offence and is liable on conviction to a maximum fine of HK$10,000.

MPFSO

The MPFSO provides that an employer shall enrol their regular employees (except for certain exempt persons) aged between at least 18 but under 65 years of age and employed for 60 days or more in a MPF scheme within the first 60 days of employment.

For both employees and employers, it is mandatory to make regular contributions into a MPF scheme. For an employee, subject to the maximum and minimum levels of income (HK$30,000 and HK$7,100 per month, respectively on or after 1 June 2014), an employer will deduct 5% of the relevant income on behalf of an employee as mandatory contributions to a registered MPF scheme with a ceiling of HK$1,500 on or after 1 June 2014. An employer will also be required to contribute an amount equivalent to 5% of an employee's relevant income to the MPF scheme, subject only to the maximum level of income (HK$30,000 on or after 1 June 2014). The Mandatory Provident Fund Schemes Authority of Hong Kong established under the MPFSO regulates the operations of MPF schemes in accordance with the provisions under the MPFSO.

BRO

The BRO requires every entity that carries on a business in Hong Kong to apply for business registration with the Business Registration Office of the HKIRD within one (1) month from the date of commencement of the business, and to display a valid business registration certificate at the place of business.

IRO

The IRO is an ordinance for the purposes of imposing taxes on property, earnings and profits in Hong Kong. The IRO provides, among other things, that persons, which include corporations, partnerships, trustees and bodies of persons, carrying on any trade, profession or business in Hong Kong are chargeable to tax on all profits (excluding profits from the sale of capital assets) arising in or derived from Hong Kong from such trade, profession or business. The IRO also contains provisions relating to, among other things, permissible deductions for outgoings and expenses, set-offs for losses and allowances for depreciation.

Under section 52(2) of the IRO, every person who is an employer shall, when required to do so by notice in writing given by an assessor appointed under the IRO, furnish a return of all persons employed by him in receipt of remuneration in excess of a minimum figure to be fixed by the assessor and any other person employed by him named by the assessor.

In addition, under section 52(4) of the IRO, where any person who is an employer commences to employ in Hong Kong an individual who is or is likely to be chargeable to tax under Part 3 of the IRO, or any married person, he shall give notice thereof in writing to the Commissioner of Inland Revenue not later than three months after the date of commencement of such employment. Under section 52(5) of the IRO, where any person who is an employer ceases or is about to cease to employ in Hong Kong an individual who is or is likely to be chargeable to tax under Part 3 of the IRO, or any married person,

he shall give notice thereof in writing to the Hong Kong Commissioner of Inland Revenue not later than one month before such individual ceases to be employed in Hong Kong.

Section 20A of the IRO gives the HKIRD wide powers to collect tax due from non-residents. The HKIRD may also make transfer pricing adjustments by disallowing expenses incurred by the Hong Kong resident under sections 16(1), 17(1)(b) and 17(1)(c) of the IRO, making additional assessments under section 60 of the IRO and challenging the entire arrangement under general anti-avoidance provisions such as sections 61 and 61A of the IRO.

SINGAPORE

This section sets forth a summary of certain laws and regulations which are relevant to our Group's business in Singapore. Information contained in this section should not be construed as a comprehensive summary of the laws and regulations applicable to our Group.

Regulations relating to Employment

Employment Act

The Employment Act is administered by the MOM and sets out the basic terms and conditions of employment and the rights and responsibilities of employers as well as employees who are covered under the Employment Act (the "**relevant employees**").

In particular, Part IV of the Employment Act sets out requirements for rest days, hours of work and other conditions of service for workmen who receive salaries not exceeding S$4,500 a month and employees (other than workmen or persons employed in managerial or executive positions) who receive salaries not exceeding S$2,600 a month. Section 38(8) in Part IV of the Employment Act provides that a relevant employee is not allowed to work for more than 12 hours in any one (1) day except in specified circumstances, such as where the work is essential to the life of the community, defence or security. In addition, Section 38(5) in Part IV of the Employment Act limits the extent of overtime work that a relevant employee can perform to 72 hours a month. Employers must seek the prior approval of the Singapore Commissioner for Labour for exemption if they require a relevant employee or class of relevant employees to work for more than 12 hours a day or work overtime for more than 72 hours a month.

An employer who breaches the above provisions shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S$5,000, and for a second or subsequent offence to a fine not exceeding S$10,000 and/or to imprisonment for a term not exceeding 12 months.

EFMA, EFMA(R) and Immigration Act

The employment of foreign workers in Singapore is governed by the EFMA and regulated by the MOM. Under Section 5(1) of the EFMA, no person shall employ a foreign employee unless the foreign employee has obtained a valid work pass. Any person who contravenes Section 5(1) of the EFMA shall be guilty of an offence and shall (a) be liable on conviction to a fine at least S$5,000 and not more than S$30,000 or to imprisonment for a term not exceeding 12 months or to both; and (b) on a second or subsequent conviction: (i) in the case of an individual, be punished with a fine of at least S$10,000 and not more than S$30,000 and with imprisonment for a term of not less than one (1) month and not more than 12 months; or (ii) in any other case, be punished with a fine of at least S$20,000 and not more than S$60,000.

A work pass includes, amongst others: (a) employment pass, for foreign professionals, managers and executives (excluding those in financial services) earning at least S$5,000 per month and who have acceptable qualifications; (b) S Pass, for skilled staff (excluding those in financial services) who earn at

least S$3,150 per month if they are new applicants; and (c) work permit for skilled or semi-skilled migrant workers in the construction, manufacturing, marine shipyard, process or services sectors.

The EFMA(R) requires employers of work permit holders, among others, to:

- bear the costs of medical treatment (unless in excess of the minimum mandatory coverage);
- provide acceptable accommodation;
- provide safe working conditions and take such measures as are necessary to ensure the safety and health of the foreign employee; and
- purchase and maintain medical insurance for inpatient care and day surgery with coverage of at least S$15,000 (for policies with start date effective before 1 July 2023) and S$60,000 (for policies with start date effective on or after 1 July 2023) per every 12-month period of the foreign employee's employment (or for such shorter period where the foreign employee's period of employment is less than 12months).

The EFMA(R) also requires employers of S Pass holders, among others, to:

- bear the costs of medical treatment (unless in excess of the minimum mandatory coverage); and
- purchase and maintain medical insurance for inpatient care and day surgery with coverage of at least S$15,000 (for policies with start date effective before 1 July 2023) and S$60,000 (for policies with start date effective on or after 1 July 2023) per every 12-month period of the foreign employee's employment (or for such shorter period where the foreign employee's period of employment is less than 12 months).

Further, the Immigration Act provides that no person, other than a citizen of Singapore, shall enter or attempt to enter Singapore unless, amongst others, he is in possession of a valid pass lawfully issued to him to enter Singapore.

Accordingly, an employer of foreign workers is also subject to the Employment Act and the Immigration Act, and the regulations issued pursuant thereto.

WSHA

Under the WSHA administered by the MOM, every employer has the duty to take, so far as reasonably practicable, measures necessary to ensure the safety and health of his employees at work. These measures include providing and maintaining a safe working environment for the employees, without risk to health, and adequate facilities and arrangements for their welfare at work, ensuring that adequate safety measures are taken in respect of any machinery, equipment, plant, article or process used by the employees, developing and implementing procedures for dealing with emergencies that may arise while the employees are at work and ensuring that the employee at work has adequate instruction, information, training and supervision as is necessary for that employee to perform his work. More specific duties imposed on employers are laid out in the Workplace Safety and Health (General Provisions) Regulations of Singapore, which include taking all reasonably practicable measures to prevent the workplace from being overcrowded and ensuring adequate ventilation of the workplace.

WICA

The WICA regulated by the MOM applies to employees in respect of injuries suffered by them arising out of and in the course of their employment and sets out, amongst others, the amount of compensation they are entitled to and the methods of calculating such compensation.

The WICA provides that the employer shall be liable to pay compensation under the WICA if personal injury is caused to an employee by accident arising out of and in the course of the employee's employment with the employer. The amount of compensation shall be computed in accordance with the First Schedule of the WICA, subject to a maximum and minimum limit, taking into account factors such as the severity and permanence of the personal injury suffered.

Further, the WICA provides that where any person (referred to as the principal) in the course of or for the purpose of his trade or business contracts with any other person (referred to as the contractor) for the execution by the contractor of the whole or any part of any work, or for the supply of labour to carry out any work, undertaken by the principal, the Singapore Commissioner for Labour may direct the principal to fulfil the obligations of the employer under the WICA in relation to any employee of the contractor employed in the execution of the work. Where such a direction has been made, the principal shall be liable to pay to any employee of the contractor employed in the execution of the work any compensation which he would have been liable to pay under the WICA if that employee had been immediately employed by the principal, except that the amount of compensation is to be calculated with reference to the earnings of the employee under the contractor.

Every employer is required to maintain work injury compensation insurance for all employees doing manual work, regardless of salary level and all employees earning S$2,600 or less per month, excluding any overtime payment, bonus payment, annual wage supplement, productivity incentive payment and any allowance. Failure to do so is an offence carrying a fine of up to S$10,000 and/or imprisonment of up to 12 months. Under the WICA, every employer is required to insure and maintain insurance under approved policies with an insurer against all liabilities which he may incur under the provisions of the WICA in respect of all employees employed him, unless specifically exempted. The compensation limits for death and permanent incapacity are S$225,000 and S$289,000, respectively. From 1 November 2025, the compensation limits for death and permanent incapacity will increase to S$269,000 and S$346,000, respectively. The compensation limit for medical treatment is the cost of medical treatment received by the employee within a period of one (1) year after the date of the accident causing the injury, or S$45,000, whichever is the lower.

From 1 November 2025, the compensation limit for medical treatment is the cost of medical treatment received by the employee within a period of one (1) year after the date of the accident causing the injury, or S$53,000, whichever is the lower.

MANAGEMENT REPORTING STRUCTURE

The following diagram illustrates the management reporting structure of our Company:

DIRECTORS AND EXECUTIVE OFFICERS

Directors

Our Directors are entrusted with the responsibility for the overall management of our Group, with our day-to-day operations being entrusted to our Executive Directors and Executive Officers. The following table sets out information regarding our Directors as of the date of this Introductory Document.

Name	Age	Position	Address
Mr. Lam Kong (林刚)	61	Chairman, Executive Director, Group President and Group CEO	c/o Unit 2106, 21/F, Island Place Tower, 510 King's Road, North Point, Hong Kong
Ms. Chen Yanling (陈燕玲)	55	Executive Director, Group Vice-president and Group CFO	c/o Unit 2106, 21/F, Island Place Tower, 510 King's Road, North Point, Hong Kong
Mr. Chen Hongbing (陈洪兵)	58	Non-Executive Director	c/o Unit 2106, 21/F, Island Place Tower, 510 King's Road, North Point, Hong Kong
Mr. Leung Chong Shun (梁创顺)	59	Independent Non-Executive Director	c/o Unit 2106, 21/F, Island Place Tower, 510 King's Road, North Point, Hong Kong
Ms. Luo Laura Ying (罗莹)	60	Independent Non-Executive Director	c/o Unit 2106, 21/F, Island Place Tower, 510 King's Road, North Point, Hong Kong
Mr. Fung Ching Simon (冯征)	56	Independent Non-Executive Director	c/o Unit 2106, 21/F, Island Place Tower, 510 King's Road, North Point, Hong Kong

Information regarding the areas of responsibility and working experience of our Directors and Executive Officers is set out below.

Mr. Lam Kong (林刚), aged 61, is the chairman of our Board, an Executive Director and an authorised representative of our Company, as well as the president and CEO of our Group. He also holds various positions in the subsidiaries of our Company. He acquired Shenzhen Kangzhe through his company over 30 years ago, building the business from a small company engaged in trading of pharmaceutical products to a leading pharmaceutical service company providing marketing, promotion and sale services. Mr. Lam Kong is responsible for the planning, implementation and management of our Company's development, growth strategy, and overall operations. Mr. Lam Kong has clinical experience and a deep understanding and knowledge of China's pharmaceutical industry, possessing unique insight and extensive experience in R&D, marketing, promotion, sales and other value-added services. Mr. Lam Kong received his bachelor's degree in medicine from Zhanjiang Medical College in 1986, which was renamed Guangdong Medical University. He is also a member of the Nomination

Committee of our Company, and the sole director and shareholder of Treasure Sea Limited, which is a Controlling Shareholder of our Company.

Ms. Chen Yanling (陈燕玲), aged 55, is an Executive Director of our Company, and the Vice-president and CFO of our Group. Ms. Chen Yanling is also the chairman of the Environmental, Social and Governance Committee of our Company and holds various positions in the subsidiaries of our Company. She joined our Group in 1995 and has remained with our Group since then. Ms. Chen Yanling is responsible for our Group's finance, auditing, investor relations, administrative affairs management and administrative government affairs. She holds an Executive Master of Business Administration degree and is a professional qualification certificate holder for Accounting Professional in the PRC since 1997.

Mr. Chen Hongbing (陈洪兵), aged 58, is a Non-Executive Director of our Company. He was an Executive Director and the Vice-president and COO of our Group. He has resigned from the positions of COO and Vice-president of our Group, and has been appointed as a Senior Consultant of our Company and re-designated to a Non-Executive Director with effect from 15 August 2024. He has also resigned from all directorships and positions previously held in the subsidiaries of our Company. He joined our Group in 1995 and has remained with our Group since then. Mr. Chen Hongbing was previously responsible for the business operation of our Group, including marketing, promotion, supply chain management, product manufacturing management and human resources management and now advises on our Company's business management and operations. He possesses extensive experience in business operations of pharmaceutical companies and corporate management. Mr. Chen Hongbing was a physician at Nanjing Drum Tower Hospital from 1990 to 1994. He obtained his Bachelor of Clinical Medicine from Nanjing Medical College in 1990, which was renamed Nanjing Medical University.

Mr. Leung Chong Shun (梁创顺), aged 59, is an Independent Non-Executive Director of our Company. He is the chairman of the Remuneration Committee, a member of the Audit Committee, a member of the Nomination Committee and a member of the Environmental, Social and Governance Committee of our Company. Mr. Leung Chong Shun graduated from the University of Hong Kong in 1988 and obtained a bachelor's degree in laws with honours. He is qualified as a solicitor in Hong Kong, Guangdong-Hong Kong-Macao Greater Bay Area and England. Mr. Leung became a practicing lawyer since 1991. He is currently a partner of Woo Kwan Lee & Lo. Mr. Leung is familiar with corporate finance, M&A and IPO legal services and has been involved in various listing and acquisition transactions of Chinese H-share companies and red chip companies. Mr. Leung is currently a China-Appointed Attesting Officer appointed by the Ministry of Justice of the PRC. Mr. Leung was an independent non-executive director of China Coal Energy Company Limited (a company listed on the HKSE with stock code: 01898) from June 2017 to March 2023, China Communications Construction Company Limited (a company listed on the HKSE with stock code: 01800) from January 2011 to November 2017, China National Materials Company Limited (the listing with stock code: 01893 was withdrawn on the HKSE) from July 2007 to April 2018 and SSY Group Limited (a company listed on the HKSE with stock code: 02005) from October 2005 to May 2023. He is currently an independent non-executive director of Min Xin Holdings Limited (a company listed on the HKSE with stock code: 00222).

Ms. Luo Laura Ying (罗莹), aged 60, is an Independent Non-Executive Director of our Company. She is the chairman of the Nomination Committee, a member of the Audit Committee and a member of the Remuneration Committee of our Company. Ms. Luo Laura Ying obtained her Bachelor of Arts in International Economics from Peking University in 1987 and Master of Business Administration from the University of Toronto in 1991. She is a Chartered Professional Accountant, Certified General Accountant (CPA, CGA) and Chartered Financial Analyst (CFA). Ms. Luo Laura Ying also has 30 years of investment experience. She currently works as an investment director of GL China Equity HK Management Limited and director of Pawo Foundation Limited, and previously worked as a consultant of GL Capital Management Limited. Ms. Luo is an independent non-executive director of Central China New Life Limited (a company listed on the HKSE with stock code: 09983) and Tianjin Port Development

Holdings Limited (a company listed on the HKSE with stock code: 03382). Ms. Luo Laura Ying was a managing director and head of Hong Kong China Equities at Baring Asset Management (Asia) Limited from 2013 to 2019. Her overall responsibilities included managing a team of investment managers and research analysts, as well as managing a range of Hong Kong (China) and China equity strategies, including Baring's flagship Hong Kong China Fund, China A-share fund and some institutional mandates. Before joining Baring Asset Management (Asia) Limited, Ms. Luo Laura Ying worked for Schroder Investment Management (Hong Kong) Limited for over 12 years. Since 2002, she had been a lead manager on several greater China equity mandates, including the Schroder International Selection Fund – China Opportunities, which she managed since its launch in 2006. Prior to Schroder Investment Management (Hong Kong) Limited, Ms. Luo Laura Ying had worked at SG Securities (HK) Limited as head of China Research and Strategist, as well as at Morgan Stanley and Goldman Sachs (Asia) LLC, Hong Kong as an equity research analyst.

Mr. Fung Ching Simon (冯征), aged 56, is an Independent Non-Executive Director of our Company. He is the chairman of the Audit Committee, a member of the Remuneration Committee, a member of the Nomination Committee and a member of the Environmental, Social and Governance Committee of our Company. Mr. Fung Ching Simon graduated from the Queensland University of Technology in Australia with a Bachelor of Business (Accountancy) and is a Fellow of the Hong Kong Institute of Certified Public Accountants and a Fellow of the CPA Australia. Mr. Fung Ching Simon has 10 years of experience in auditing, accounting and business advisory and has over 20 years of experience in managing finance and accounting functions, mergers and acquisitions, fund raising and investor relations for companies listed in Hong Kong. He is currently serving as the chief financial officer of Chow Tai Fook Enterprises Limited. Mr. Fung Ching Simon worked in PricewaterhouseCoopers between 1994 and 2004, and he served as the chief financial officer and secretary to the board of directors of Baoye Group Company Limited (a company listed on the HKSE with stock code: 02355) between 2004 and 2010. He served as the chief financial officer and company secretary of Greentown China Holdings Ltd (a company listed on the HKSE with stock code: 03900) between 2010 and 2019. Mr. Fung Ching Simon worked for Logan Group Company Limited (a company listed on the HKSE with stock code: 03380) from January 2020 to March 2021 as chief financial officer. He worked for China Logistics Property Holdings Co., Limited (the listing with stock code: 01589 was withdrawn on the HKSE) from June 2016 till February 2022 as an independent non-executive director. Mr. Fung Ching Simon is also an independent non-executive director of Hainan Meilan International Airport Company Limited (a company listed on the HKSE with stock code: 00357) and an independent non-executive director of Baoye Group Company Limited (a company listed on the HKSE with stock code: 02355).

Experience of Our Directors

As our Company is listed on the HKSE, all our Directors have experience as a director of at least one (1) public listed company in Hong Kong. Our Directors have been briefed on the roles and responsibilities of a director of a public listed company in Singapore prior to our Introduction.

Executive Officers

In addition to our Executive Directors, our Executive Officers are responsible for the day-to-day management and operations of our Company. The following table sets out information regarding our Executive Officers as of the date of this Introductory Document.

Name	Age	Position	Address
Mr. Ma Lieyi (马列一)	55	General Manager of the Operations and Management Centre of our Group	c/o Unit 2106, 21/F, Island Place Tower, 510 King's Road, North Point, Hong Kong

Name	Age	Position	Address
Mr. Jiang Qingfu (蒋庆富)	48	General Manager of Cardio-cerebrovascular/Digestion Business (Shenzhen Kangzhe) of our Group	c/o Unit 2106, 21/F, Island Place Tower, 510 King's Road, North Point, Hong Kong
Ms. Li Yufang (李玉芳)	46	General Manager of the Finance Centre of our Group	c/o Unit 2106, 21/F, Island Place Tower, 510 King's Road, North Point, Hong Kong
Mr. Fan Jie (樊杰)	54	Deputy General Manager of our Company and General Manager of Channel and Off-hospital Business of our Group	c/o Unit 2106, 21/F, Island Place Tower, 510 King's Road, North Point, Hong Kong
Mr. Cai Ping (蔡平)	54	Deputy General Manager of our Company and General Manager of Strategic Market of our Group	c/o Unit 2106, 21/F, Island Place Tower, 510 King's Road, North Point, Hong Kong
Mr. Huang Anjun (黄安军)	48	General Manager of Skin Health Business of our Group	c/o Unit 2106, 21/F, Island Place Tower, 510 King's Road, North Point, Hong Kong
Dr. Peng Huai Zheng (彭怀政)	62	Chief Business Officer of our Group	c/o Unit 2106, 21/F, Island Place Tower, 510 King's Road, North Point, Hong Kong
Dr. Jiang Fei (姜非)	48	Chief Investment Officer (Greater China) of our Group	c/o Unit 2106, 21/F, Island Place Tower, 510 King's Road, North Point, Hong Kong
Mr. James Stearns	46	Chief Investment Officer (Europe and America) of our Group	c/o Unit 2106, 21/F, Island Place Tower, 510 King's Road, North Point, Hong Kong
Ms. Wang Linlang (王琳琅)	47	General Manager of Ophthalmology Business (CMS Vision) of our Group	c/o Unit 2106, 21/F, Island Place Tower, 510 King's Road, North Point, Hong Kong
Ms. Wu Sanyan (吴三燕)	43	Company Secretary and Director of the Legal Department of our Group	c/o Unit 2106, 21/F, Island Place Tower, 510 King's Road, North Point, Hong Kong

Information regarding the areas of responsibility and working experience of our Executive Officers is set out below.

Mr. Ma Lieyi (马列一), aged 55, is the General Manager of the Operations and Management Centre of our Group. He joined our Group in 1995 and has remained with our Group since then. Mr. Ma Lieyi has

been engaged in sales and marketing management in our Group, possessing over 20 years of sales and marketing management experience. He graduated from Shenzhen University in 1990, with a Diploma in business administration. Mr. Ma Lieyi obtained a Bachelor of Business Administration from Shenzhen University in 1998 and an Executive Master of Business Administration from the University of Macau in 2022.

Mr. Jiang Qingfu (蒋庆富), aged 48, is the General Manager of Cardio-cerebrovascular/Digestion Business (Shenzhen Kangzhe) of our Group. Mr. Jiang Qingfu joined our Group in 1999 and has remained with our Group since then. He was promoted to managerial positions rapidly after training at junior positions, having made outstanding sales contribution during the period. Mr. Jiang Qingfu is responsible for the overall operations and management of Shenzhen Kangzhe, possessing over 20 years of sales and marketing experience and rich experience in operations and management. He obtained a bachelor's degree in clinical medicine from Anhui Medical University in 1999.

Ms. Li Yufang (李玉芳), aged 46, is the General Manager of the Finance Centre of our Group. She joined our Group in 2003 and has remained with our Group since then. She possesses over 10 years of finance, tax and pharmaceutical companies' compliance experience. Ms. Li Yufang obtained a bachelor's degree of management in electronic data processing accounting from Jilin University of Finance and Economics in 2001.

Mr. Fan Jie (樊杰), aged 54, is the Deputy General Manager of our Company and General Manager of Channel and Off-hospital Business of our Group. He has over 25 years of management experience in pharmaceutical companies, including drug market promotion, channel management, supply chain management, bidding standards entry and digital marketing. Prior to joining our Group, Mr. Fan Jie worked in several pharmaceutical companies. He obtained a Bachelor in Business Administration and an Executive Master of Business Administration from South China University of Technology in January 2012 and June 2014 respectively. Mr. Fan Jie graduated from Qinghai Minzu University with a Diploma in Politics and History in 1992.

Mr. Cai Ping (蔡平), aged 54, is the Deputy General Manager of our Company and General Manager of Strategic Market of our Group. He has 20 years of sales and market management experience in the pharmaceutical field, as well as 7 years of experience in commercialisation management of tumour, infection in vitro diagnostics and laboratory developed tests. Mr. Cai Ping has rich experience in building commercial teams and consistently achieving performance targets. He is skilled in team management and breakthroughs in new business ventures, with expertise in systematic business planning and implementation. Prior to joining our Group, Mr. Cai Ping worked in a number of pharmaceutical companies. Mr. Cai Ping obtained a bachelor's degree in clinical medicine from the First Military Medical University of the People's Liberation Army (later renamed Southern Medical University) in 1994.

Mr. Huang Anjun (黄安军), aged 48, is the General Manager of Skin Health Business of our Group. Mr. Huang Anjun joined our Group in 2005 and has remained with our Group since then. He is responsible for the overall operations and management of Dermavon, possessing over 10 years of sales and marketing experience and rich experience in operations and management. He obtained a Master in Clinical Medicine from Shandong University of Traditional Chinese Medicine in 2005.

Dr. Peng Huai Zheng (彭怀政), aged 62, is the Chief Business Officer of our Group. Dr. Peng Huai Zheng was appointed as an independent non-executive Director of our Company for the period from 4 May 2010 to 9 October 2013 and has remained with our Group since then. Prior to joining our Group, he held the positions of partner, director or senior portfolio manager at several multinational financial corporations in the UK and Canada, mainly engaged in investments in the global life science field. Dr. Peng Huai Zheng possesses over 18 years of investment experience. He obtained a bachelor's degree and a master's degree in clinical medicine from Hunan Medical College in 1984 and 1989 respectively, and his Doctor of Philosophy in molecular pathology from University College London Medical School,

UK in 1998. Prior to entering into the financial investment and pharmaceutical industries, Dr. Peng Huai Zheng was a clinical instructor of histopathology at the University College London Medical School.

Dr. Jiang Fei (姜非), aged 48, is the Chief Investment Officer (Greater China) of our Group. Dr. Jiang Fei joined our Group in January 2022. Prior to joining our Group, he was engaged in R&D and business expansion in several domestic and foreign pharmaceutical companies, and held the positions including executive director and managing director at several venture capital firms and private equity funds. Dr. Jiang Fei possesses over 10 years of work experience in China's pharmaceutical industry and approximately six years of investment experience. He obtained a Bachelor of Chemical Engineering from East China University of Science and Technology in 1998 and his Doctor of Philosophy in Chemical Engineering from Syracuse University in 2006.

Mr. James Stearns, aged 46, is the Chief Investment Officer (Europe and America) of our Group. Mr. James Stearns joined our Group in April 2021. Prior to joining our Group, he was a director of an England investment bank and the investment director of an independent private equity firm, possessing over 20 years of experience in investment and finance in Europe and America's pharmaceutical industries. Mr. James Stearns obtained a Bachelor of Science in Economics and Accounting from the University of Bristol in 2000.

Ms. Wang Linlang (王琳琅), aged 47, is the General Manager of Ophthalmology Business (CMS Vision) of our Group. Ms. Wang Linlang joined our Group in 2004 and has remained with our Group since then. She is responsible for the overall operations and management of CMS Vision, possessing over 10 years of sales and marketing experience and rich experience in operations and management. Ms. Wang Linlang obtained a bachelor's degree in preventive medicine and a master's degree in epidemiology and health statistics from West China Medical Centre of Sichuan University in 2001 and 2004 respectively.

Ms. Wu Sanyan (吴三燕), aged 43, is the Company Secretary and Director of the Legal Department of our Group, as well as an authorised representative of our Company. She joined our Group in 2009 and has remained with our Group since then. Ms. Wu Sanyan is primarily responsible for overseeing the legal and regulatory compliance matters of our Group (including compliance with listing rules of HKSE), possessing over 10 years of legal and corporate governance experience. She obtained a bachelor's degree in history in 2004, bachelor's degree in law in 2006, and a Master in International Law in 2008 from Wuhan University.

Past and Present Principal Directorships

The past and present principal directorships in the Principal Subsidiaries and publicly listed companies held by our Directors and Executive Officers in the last five (5) years preceding the date of this Introductory Document (excluding those held in our Company) are set out in the section entitled "*Appendix D – List of Past and Present Directorships*" of this Introductory Document. Further, for FY2022, FY2023 and FY2024, and the period between 1 January 2025 to the Latest Practicable Date, none of our Directors has any interest in companies which are in, or are likely to be in, competition with our Group.

None of the Independent Directors of our Company sits on the board of any member of our Group apart from our Company.

Service Agreements with Directors

Mr. Lam Kong has entered into a latest letter of appointment with our Company for his appointment as an Executive Director for an initial term of three (3) years which commenced on 28 September 2010, and which is renewable thereafter until terminated by either party by giving not less than 3 months'

written notice. Separately, he has entered into the latest service contract with our Company which commenced on 1 January 2019 for his appointment as our Group CEO, and can be terminated by either party by giving not less than 30 days' written notice. For his appointment as an Executive Director of our Company, he is subject to retirement by rotation and re-election at the general meetings of our Company, which do not affect his appointment as our Group CEO. He is entitled to receive emoluments including salary, discretionary bonus, allowances and benefits in kind and employer's contribution to pension scheme as determined by our Board with reference to the experience, responsibility, workload, time devoted, contribution to our Group, our Group's remuneration policy, emoluments paid by comparable companies and performance of our Group.

Ms. Chen Yanling has entered into a latest service contract with our Company for her appointment as an Executive Director for an initial term of three (3) years which commenced on 28 September 2010, and which is renewable thereafter until terminated by either party by giving not less than 3 months' written notice. Separately, she has entered into the latest service contract with our Company which commenced on 1 January 2019 for her appointment as our Group CFO, and can be terminated by either party by giving not less than 30 days' written notice. For her appointment as an Executive Director of our Company, she is subject to retirement by rotation and re-election at the general meetings of our Company, which do not affect her appointment as our Group CFO. She is entitled to receive emoluments including salary, discretionary bonus, allowances and benefits in kind and employer's contribution to pension scheme as determined by our Board with reference to the experience, responsibility, workload, time devoted, contribution to our Group, our Group's remuneration policy, emoluments paid by comparable companies and performance of our Group.

Mr. Chen Hongbing has entered into a latest letter of appointment with our Company for an initial term of one (1) year which commenced on 15 August 2024, and which is renewable thereafter until terminated by either party by giving not less than 3 months' written notice. He is subject to retirement by rotation and re-election at the general meetings of our Company. He is entitled to receive emoluments including discretionary bonus, allowances and benefits in kind and employer's contribution to pension scheme as determined by our Board with reference to the experience, responsibility, workload, time devoted, contribution to our Group, our Group's remuneration policy, emoluments paid by comparable companies and performance of our Group.

Mr. Leung Chong Shun has entered into a latest letter of appointment with our Company for an initial term of one (1) year which commenced on 13 December 2018 and will be renewable thereafter until terminated by either party by giving not less than 3 months' written notice. He will be subject to retirement by rotation and re-election at the general meetings of our Company. He is entitled to receive emoluments including discretionary bonus, allowances and benefits in kind as determined by our Board with reference to the experience, responsibility, workload, time devoted, contribution to our Group, our Group's remuneration policy, emoluments paid by comparable companies and performance of our Group.

Ms. Luo Laura Ying has entered into a latest letter of appointment with our Company for an initial term of one (1) year which commenced on 31 March 2020 and will be renewable thereafter until terminated by either party by giving not less than 3 months' written notice. She will be subject to retirement by rotation and re-election at the general meetings of our Company. She is entitled to receive emoluments including discretionary bonus, allowances and benefits in kind as determined by our Board with reference to the experience, responsibility, workload, time devoted, contribution to our Group, our Group's remuneration policy, emoluments paid by comparable companies and performance of our Group.

Mr. Fung Ching Simon has entered into a latest letter of appointment with our Company for an initial term of one (1) year which commenced on 6 October 2021 and will be renewable thereafter until terminated by either party by giving not less than 3 months' written notice. He will be subject to

retirement by rotation and re-election at the general meetings of our Company. He is entitled to receive emoluments including discretionary bonus, allowances and benefits in kind as determined by our Board with reference to the experience, responsibility, workload, time devoted, contribution to our Group, our Group's remuneration policy, emoluments paid by comparable companies and performance of our Group.

There are no existing or proposed service agreements entered into or to be entered into by any of our Directors with our Company or any of our subsidiaries which provide for benefits upon termination of employment.

Arrangement or Understanding

There is no arrangement or understanding with any substantial shareholder, customer or supplier of our Company or other person, pursuant to which any of our Directors or Executive Officers was selected as a Director or Executive Officer of our Company.

Family Relationship

There is no family relationship among any of our Directors and Executive Officers and any substantial shareholder of our Company.

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Directors' Remuneration

The following table sets out the total amount of remuneration paid to each Director for each of FY2022, FY2023 and FY2024:

Director	Fees (RMB '000)	Salaries, allowances and benefits in kind (RMB '000)	Performance related bonuses (RMB '000)	Equity-settled share option expense (RMB '000)	Share based payment expense (RMB '000)	Pension scheme contributions (RMB '000)	Total remuneration (RMB '000)
FY2024							
Mr. Lam Kong	330	5,806	-	-	-	50	6,186
Ms. Chen Yanling	330	4,521	-	-	-	34	4,885
Mr. Chen Hongbing	330	4,777	-	-	-	76	5,183
Mr. Leung Chong Shun	330	-	-	-	-	-	330
Ms. Luo Laura Ying	330	-	-	-	-	-	330
Mr. Fung Ching Simon	330	-	-	-	-	-	330
Total	**1,980**	**15,104**	**-**	**-**	**-**	**160**	**17,244**

Director	Fees (RMB '000)	Salaries, allowances and benefits in kind (RMB '000)	Performance related bonuses (RMB '000)	Equity-settled share option expense (RMB '000)	Share based payment expense (RMB '000)	Pension scheme contributions (RMB '000)	Total remuneration (RMB '000)
FY2023							
Mr. Lam Kong	323	5,088	-	-	-	32	5,443
Ms. Chen Yanling	323	4,072	-	-	-	33	4,428
Mr. Chen Hongbing	323	4,610	-	-	-	106	5,039
Mr. Leung Chong Shun	323	-	-	-	-	-	323
Ms. Luo Laura Ying	323	-	-	-	-	-	323
Mr. Fung Ching Simon	323	-	-	-	-	-	323
Total	**1,938**	**13,770**	**-**	**-**	**-**	**171**	**15,879**

Director	Fees (RMB '000)	Salaries, allowances and benefits in kind (RMB '000)	Performance related bonuses (RMB '000)	Equity-settled share option expense (RMB '000)	Share based payment expense (RMB '000)	Pension scheme contributions (RMB '000)	Total remuneration (RMB '000)
FY2022							
Mr. Lam Kong	308	5,182	-	-	-	31	5,521
Ms. Chen Yanling	308	3,144	-	-	-	30	3,482
Mr. Chen Hongbing	308	4,397	-	-	-	103	4,808
Mr. Leung Chong Shun	308	-	-	-	-	-	308
Ms. Luo Laura Ying	308	-	-	-	-	-	308
Mr. Fung Ching Simon	308	-	-	-	-	-	308
Total	**1,848**	**12,723**	**-**	**-**	**-**	**164**	**14,735**

No compensation was paid or is to be paid in the form of stock options to our Directors.

The five (5) highest paid employees during each of the FY2022, FY2023 and FY2024 included three (3) directors, details of whose remuneration are set out in the tables above. The remuneration payable to the remaining two (2) individuals for FY2022, FY2023 and FY2024 respectively are set out below, together with the remuneration bands.

RMB ('000)	FY2022	FY2023	FY2024
Wages, salaries and allowances	5,689	4,979	5,656
Retirement benefits scheme contributions	97	109	239
Equity-settled share-based expenses	18,716	-	-
Total	**24,502**	**5,088**	5,895

Remuneration bands (HK$)	Number of person(s)		
	FY2022	FY2023	FY2024
Nil to 1,000,000	-	-	-
1,000,001 to 2,500,000	-	-	-
2,500,001 to 3,000,000	-	2	-
3,000,001 to 3,500,000	-	-	2
3,500,001 to 4,000,000	1	-	-
4,000,001 to 22,500,000	-	-	-
22,500,001 to 23,000,000	-	-	-
23,000,001 to 25,000,000	-	-	-
25,000,001 to 26,000,000	1	-	-

Remuneration of Executive Officers

The remuneration, including sales commissions, equity-settled share option expense and awarded share expense, of the Executive Officers of our Group by band for FY2022, FY2023 and FY2024 is set out as follows:

Remuneration bands (HK$)	Number of person(s)		
	FY2022	FY2023	FY2024
Nil to 1,000,000	-	-	-
1,000,001 to 1,500,000	2	1	1
1,500,001 to 2,000,000	1	2	3
2,000,001 to 2,500,000	3	2	1
2,500,001 to 3,000,000	2	4	2
3,000,001 to 3,500,000	1	-	4

Other than amounts set aside or accrued for compliance with relevant laws and regulations, and as disclosed in Notes 40 and 41 to Appendix A to this Introductory Document, no amounts have been set aside or accrued by our Company or subsidiaries to provide for pension, retirement or similar benefits for our employees.

Save as disclosed under the section entitled "*Management and Corporate Governance – Compensation of Directors and Executive Officers – Summary of the Incentive Schemes*", our Company does not have any bonus or profit-sharing plan or profit-linked agreement or arrangement with / for any of our Directors, Executive Officers or employees. None of our employees are immediate family members of our Directors.

SUMMARY OF THE INCENTIVE SCHEMES

- ***The CMS Key Employee Benefit Scheme***

We adopted an employee incentive scheme on 22 December 2016 (the "**New KEB Scheme**") to replace the employee benefit scheme which was previously adopted on 31 July 2009 (the "**2009 Scheme**"). The New KEB Scheme replaces the 2009 Scheme and shall comprise terms which are substantially similar to the 2009 Scheme, except for the ratio of contribution (which was determined by the audited consolidated financial performance) and the means of contribution. The purpose of the New KEB Scheme is to recognise the contributions by certain employees who have been actively involved in the business development of our Group and to establish and maintain a superannuation fund for the purpose of providing retiring allowances for certain employees (including without limitation employees who are also directors) of our Group, and to give incentive in order to retain them for the continual operation and development of our Group.

Consolidation. For the purposes of effecting the merger and facilitating the administration of the employee cash scheme (which provides discretionary cash bonuses to selected employees of our Group (save for Directors of our Company) to recognise their contributions to our Group) (the "**Bonus Scheme**") and the New KEB Scheme, our Company has resolved to set up a new trust comprising the Bonus Scheme and New KEB Scheme (collectively referred to as the "**Master Scheme**") with a new trustee being appointed (the "**New Trustee**"). Unless terminated earlier by our Board, the Master Scheme shall be valid and effective until the later of the termination of the Bonus Scheme or the New KEB Scheme. The term of each of the Bonus Scheme and the New KEB Scheme is 20 years subject to the terms of their respective scheme rules.

Eligibility. Our Board may, from time to time, at its absolute discretion and subject to such terms and conditions as it may think appropriate, select an employee (the "**Member**") who completed 10 years' services in our Group (subject to consent of our Board if the employee completed five (5) years' services in our Group) for participation in the New KEB Scheme for 10 years after retirement (the "**Payment Year**"). The Bonus Scheme is open to the employees employed by our Group, except for the directors of our Company.

Contribution. Pursuant to the Bonus Scheme, our Company will, on a yearly basis, contribute the sum equal to an amount of 0% to 15% on the net profit growth on the audited consolidated financial statements of our Group ("**Annual Contribution**"), subject to the approval from the Benefit Scheme Executive Committee, comprising Executive Directors of our Company. No contribution will be made by our Company if there is no growth on the net profit in the year.

Adjustments. Pursuant to the New KEB Scheme, the amount payable to the Members depends on the value of the assets held by the New Trustee (the "**Fund**"). If the value of the Fund is less than the aggregate amount of contributions previously made by our Company, the amount payable to the Members and the Payment Year will be adjusted by a factor derived from the value of the Fund and the aggregate amount of contributions previously made by our Company. Pursuant to the Bonus Scheme, the amount payable to the members of the Bonus Scheme in a financial year depends on a variety of factors, including the value of the assets held by the New Trustee (the "**New Fund**"), the appreciation in the value of the assets held under the New Fund, the financial performance of our Group and the performances of individual employees during the year. The New Fund is independent from our Company and the change in value of the New Fund has no impact on our Group's financial performance and financial position. The only obligation of our Company is to make the Annual Contributions to the

New Fund subject to the terms of the scheme rules of the Bonus Scheme. The Bonus Scheme is classified as a discretionary scheme of our Company.

Transfer of rights. The subsisting rights of all participants under 2009 Scheme will be rolled over to the New KEB Scheme.

- ***The Share Award Scheme***

We adopted a share award scheme on 17 January 2024 (the "**Adoption Date**"). The purposes and objectives of the Share Award Scheme are to encourage our Group's core management team and key personnel (in the product team (including employees responsible for product launch, research and development, and registration), in the sales team (including employees responsible for marketing and promotion), and in the operations team) (the "**Eligible Participants**") to continue to make outstanding contributions to the marketing and sales of new products. The Share Award Scheme is a strategic measure to facilitate the steady rollout of innovative products in a sustainable and financially responsible manner, and designed to expedite the launch of new products, thereby enabling a swifter realisation of their clinical and commercial potential. It is crafted to establish a positive incentive framework that encourages continual innovation and operational excellence.

Expiration date. Unless it is early terminated by our Board in accordance with the terms therein, the Share Award Scheme shall be valid and effective until the date falling on the 10th anniversary of the Adoption Date.

Administration. Pursuant to the Share Award Scheme, awarded shares (the "**Awarded Shares**") may be purchased by the trustee (the "**Award Trustee**") of the Share Award Scheme from the secondary market at the cost of our Company and be held on trust for the Eligible Participants. The Share Award Scheme shall be subject to the administration of our Board whose decisions on all matters arising in relation to the Share Award Scheme shall be final and conclusive.

Maximum number of Awarded Shares. The aggregate maximum number of Awarded Shares to be purchased by the Award Trustee shall not exceed 100,000,000 Shares, representing approximately 4% of the issued share capital of our Company as at the Latest Practicable Date. The maximum number of Awarded Shares that may be granted to any one Eligible Participant on a cumulative basis in any 12-month period shall not exceed 1% of the issued share capital of our Company from time to time.

Vesting conditions. Our Board or a management committee will set performance targets reflecting various factors including the overall financial performance of our Group, the cumulative sales revenue of particular products, the launch count of new products within a given timeframe, and/or achievement of additional specified metrics. The allocation of share awards under the Share Award Scheme will be subject to evaluation of each Eligible Participant's contributions to meeting those targets. If the relevant performance targets are met or exceeded before the vesting date in respect of an Award, the Award Trustee shall transfer to and vest in any Eligible Participant, for no consideration, such number of Shares to which such Eligible Participant is entitled.

As of 31 December 2024, none of our Directors held any awards that were granted under the Share Award Scheme.

CORPORATE GOVERNANCE

Our Board is responsible for, *inter alia*, formulating corporate strategies, approving overall business plans and overseeing our Group's financial performance, management and organisation on behalf of the Shareholders. Our Board is also responsible for performing the corporate governance duties as set out in the Code Provisions.

Board Committees

We have four (4) board committees: the Audit Committee, the Nomination Committee, the Remuneration Committee and the Environmental, Social and Governance Committee.

- **Audit Committee**

Our Audit Committee comprises three (3) Independent Non-Executive Directors, being Mr. Fung Ching Simon, Mr. Leung Chong Shun and Ms. Luo Laura Ying. The chairman of the Audit Committee is Mr. Fung Ching Simon.

We have determined that Mr. Fung Ching Simon qualifies as an "independent non-executive director" with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Hong Kong Listing Rules. At least one (1) member of our Audit Committee is required to be sufficiently knowledgeable and experienced to reliably review our financial statements.

A former partner of our Company's existing auditing firm should be prohibited from acting as a member of our Audit Committee for a period of two (2) years from the date of the person ceasing (i) to be a partner of the firm or (ii) to have any financial interest in the firm, whichever is later.

The duties and responsibilities of our Audit Committee include the following:

(a) to make recommendations to our Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor, and dealing with any questions of its resignation or dismissal;

(b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

(c) to discuss the nature, the scope and reporting responsibilities with the external auditor before it starts the auditing; if more than one external auditor participates in the auditing, to ensure that they cooperate with each other;

(d) to formulate and implement policies regarding the provision of non-audit services by external auditor. Our Audit Committee should report to our Board and make recommendations on any matters that require action or improvement;

(e) to supervise the integrity of our Company's financial statements and our Company's annual reports and accounts, semi-annual reports and (if published) quarterly reports, and review the major opinions on financial reporting contained in the statements and reports. Before submitting relevant statements and reports to our Board, our Audit Committee should review the following matters;

  (i) any changes in accounting policies and practices;

  (ii) major judgmental areas;

  (iii) significant adjustments resulting from audit;

  (iv) the going concern assumptions and any qualifications;

(v) compliance with accounting standards; and

(vi) compliance with the Hong Kong Listing Rules and legal requirements in relation to financial reporting;

(f) regarding (e) above:

(i) members of our Audit Committee should liaise with our Board and senior management and our Audit Committee must meet, at least twice a year, with our Company's auditors; and

(ii) our Audit Committee shall consider any material or unusual matters that are or need to be reflected in such reports and accounts, and shall give due consideration to any matters raised by our Company's accounting and financial reporting staff, compliance officers or auditors;

(g) to review the following arrangements set by our Company: employees of our Company may secretly raise concerns about possible improper conduct in financial reporting, internal control or other aspects. Our Audit Committee shall ensure that appropriate arrangements are in place for our Company to conduct fair and independent investigations and take appropriate actions on such matters;

(h) to serve as the main representative between our Company and the external auditor, responsible for monitoring the relationship between the two;

(i) to review our Company's financial controls, and review our Company's risk management and internal control systems;

(j) to discuss risk management and internal control systems with the management to ensure that the management has fulfilled its responsibilities and established an effective system. The discussion should include whether the resources of our Company in the accounting and financial reporting functions, the qualifications and experience of the staff are sufficient, and whether the training courses and the relevant budgets received by the staff are sufficient;

(k) to, proactively or at the appointment of our Board, conduct research on important investigation results related to risk management and internal control matters and management's response to the investigation results;

(l) If our Company has an internal audit function, to ensure that the work of internal and external auditor is coordinated; our Audit Committee shall also ensure that the internal audit function has sufficient resources to operate within our Company and has an appropriate position; and review and monitor its effectiveness;

(m) to review our Group's financial and accounting policies and practices;

(n) to review the management letter from the external auditor, any significant queries raised by the auditors to the management regarding accounting records, financial accounts or monitoring systems, and the management's response;

(o) to ensure that our Board responds in a timely manner to the issues raised in the external auditor's management letter;

(p) to report to our Board on the matters in the Code Provisions;

(q) to ensure that our Company's relevant practices and procedures for dealing with related persons are sufficient to meet the requirements of the applicable rules and regulations;

(r) when appropriate, to review our Audit Committee's Terms of Reference and recommend any necessary amendments to our Board;

(s) to report to our Board on the matters within the scope of our Audit Committee's Terms of Reference and issues that our Audit Committee finds that need attention or need to be improved during the monitoring process, our Audit Committee must make recommendations to our Board on handling or improving the relevant issues; and

(t) to consider other matters, as defined by our Board.

The authority of our Audit Committee includes the following:

(a) Our Audit Committee is authorised by our Board to investigate any activities within its scope of authority. Our Audit Committee has the right to request any information acquired by any employee or Director of our Company for the purpose of performing its duties, and any employee or Director must cooperate with any request made by our Audit Committee; and

(b) If our Audit Committee considers it necessary, it may seek independent legal and professional advice from independent third parties with relevant experience and professional talents.

- **Nomination Committee**

Our Nomination Committee comprises one (1) Executive Director and three (3) Independent Non-Executive Directors, being Ms. Luo Laura Ying, Mr. Lam Kong, Mr. Leung Chong Shun and Mr. Fung Ching Simon. The chairman of our Nomination Committee is Ms. Luo Laura Ying.

The duties and responsibilities of our Nomination Committee include the following:

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

(b) to review and maintain the policy for the nomination of Directors which shall include the nomination procedures and the process and criteria adopted by our Nomination Committee to identify, select and recommend candidates for directorship during the year and regularly review and make disclose of a summary of such policy in our Company's corporate governance report;

(c) to review and maintain the policy concerning diversity of Board members and regularly review and make disclosure of a summary of such policy in our Company's corporate governance report;

(d) to identify individuals suitably qualified to become Board members and select or make recommendations to our Board on the selection of individuals nominated for directorships;

(e) to assess the independence of Independent Non-Executive Directors;

(f) to make recommendations to our Board on the appointment or re-appointment of Directors and succession plan of Directors (especially our Chairman and CEO); and

(g) to propose suggestions on the following matters to our Board:

(i) the roles, responsibilities, abilities, skills, knowledge and experience required by Board members;

(ii) policy on the conditions for appointing Non-Executive Directors;

(iii) the composition of our Audit Committee, Remuneration Committee and other Board committees;

(iv) the proposed changes to the structure, number and composition of our Board;

(v) retiring directors shall be appointed by shareholders of our Company in rotation, in which case their performance and ability to continue to contribute to our Board shall be considered; and

(vi) the number of the directorship for other listed issuers of Independent Non-Executive Director candidates (if the candidate will serve as a director for seven or more listed companies), and confirm that the candidate can still devote sufficient time to our Board.

The authority of our Nomination Committee includes the following:

(a) All employees of our Group and professional consultants are required to provide the information required by our Nomination Committee to perform its duties, prepare and submit reports, attend meetings of our Nomination Committee and answer related questions;

(b) Reviewing the performance of Directors and the independence of Independent Non-Executive Directors in the appointment or re-appointment of Directors; and

(c) Seeking legal or other independent professional advice (including independent human resources consulting companies or other independent professionals) on related matters in accordance with our Nomination Committee's Terms of Reference. If our Nomination Committee needs it, outsiders with relevant experience and professional talents can be invited to attend the meeting of our Nomination Committee. Our Nomination Committee shall have the right to conduct investigations (including but not limited to litigation, bankruptcy and reputation checks), report or public solicitation and obtain sufficient resources to perform its duties as it deems necessary to help it perform its duties. The aforementioned costs shall be borne by our Company.

- **Remuneration Committee**

Our Remuneration Committee comprises three (3) Independent Non-Rxecutive Directors, being Mr. Leung Chong Shun, Mr. Fung Ching Simon and Ms. Luo Laura Ying. The chairman of our Remuneration Committee is Mr. Leung Chong Shun.

The duties and responsibilities of our Remuneration Committee include the following:

(a) to make recommendations to our Board on the overall remuneration policy and structure of our Company's Directors and senior management, and the establishment of formal and transparent procedures;

(b) to review and approve the management's remuneration proposals with reference to the company corporate goals and objectives resolved by our Board from time to time;

(c) to make recommendations to our Board on the remuneration packages (which should include benefits in kind, pension rights and compensation payments, including any compensation

payable for loss or termination of their office or appointment) of individual Executive Directors and senior management;

(d) to make recommendations to our Board on the remuneration of Non-Executive Directors;

(e) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in our Group;

(f) to review and approve compensation payable to Executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

(g) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

(h) to ensure that no Director or any of his associates is involved in deciding his own remuneration;

(i) If our Directors request from time to time, to report its activities to the Directors of our Company;

(j) to advise shareholders on how to vote with respect to any service contracts of Directors that require Shareholders' approval under the Rule 13.68 of the Hong Kong Listing Rules;

(k) when performing duties within the scope of our Remuneration Committee's Terms of Reference, to:

  (i) consult the chairman of our Board and/or our CEO on the remuneration proposals of other Executive Directors, and seek independent professional advice if necessary;

  (ii) provide remuneration and benefits at the required level to attract, retain and motivate Executive Directors, but avoid paying excessive remuneration;

  (iii) determine the positioning of our Group comparing to other companies, and be aware of the current salary levels of similar companies and consider relative performance;

  (iv) observe keenly the macro environment, including the salary and employment conditions of our Group and other places; and

  (v) ensure that the remuneration package of Executive Directors aligns their interests with shareholders, and encourage Directors to perform to their best.

The authority of our Remuneration Committee includes the following:

(a) All employees and professional consultants of our Group are required to provide the information required by our Remuneration Committee to perform its duties, prepare and submit reports, attend meetings of our Remuneration Committee and answer related questions; and

(b) Seeking legal or other independent professional advice (including independent human resources consulting companies or other independent professionals) on related matters in accordance with our Remuneration Committee's Terms of Reference.

- **Environmental, Social and Governance Committee**

Our Environmental, Social and Governance Committee comprises one (1) Executive Director, being Ms. Chen Yanling, and two (2) Independent Non-Executive Directors, being Mr. Leung Chong Shun and Mr. Fung Ching Simon. The chairman of our Environmental, Social and Governance Committee is Ms. Chen Yanling.

The duties and responsibilities of our Environment, Social and Governance Committee include the following:

(a) to formulate and review our Group's ESG administrative policies, strategies and structures, review ESG-related policies, regulations and trends, and provide decision-making advice to our Board regarding our Group's ESG strategies and operation, to ensure that our Company complies with the requirements of applicable laws and regulations;

(b) to monitor and supervise the formulation and implementation of our Group's ESG objectives, establish ESG management objectives and report to our Board for approval, regularly review the progress of the ESG objectives, and provide suggestions and resources on the actions needed to achieve these objectives;

(c) to identify ESG risks and opportunities, report to our Board on important trends affecting our Group's ESG strategies, assess the impact of ESG risks and opportunities on our Group and provide suggestions to our Board accordingly;

(d) to raise questions on major issues of the internal production and operation that affect our Group's performance in social responsibilities, and inspect and push forward the handling procedure and results of these issues;

(e) to monitor communication efforts with our Group's stakeholders and collect their feedback on ESG work;

(f) to guide and review our Group's ESG materiality analysis;

(g) to ensure that the disclosure of ESG report within an annual report or independent ESG report is in accordance with the Hong Kong Listing Rules and other related guidelines, review the ESG report and report to our Board, while recommending specific actions or suggestions to our Board in order to maintain the integrity of the ESG report;

(h) to promote a positive culture throughout our Group and actively incorporate ESG considerations into the business decision-making process; and

(i) other duties assigned by our Board.

Statement on Adequacy of Internal Controls

Our Board has noted that no material weaknesses in the design or operation of the accounting and internal control systems have been raised by the Independent Auditor in the ordinary course of their audit of the financial statements of our Group for the years ended 31 December 2022, 2023 and 2024.

Our Board has also noted that our Group has implemented measures recommended by its internal auditors, the Independent Auditor, or implemented mitigating measures presented to the Independent Auditor, to address the risks arising from the issues identified by the Independent Auditors and Reporting Accountants in relation to our internal control policies and procedures relating to certain

financial, operational, compliance and information technology controls reviewed by the Independent Auditor.

Based on the foregoing and the internal controls and risk management systems established and maintained by our Group, work performed by internal and external auditors and reviews performed by management, our Board, with the concurrence of our Audit Committee, is of the opinion that the internal controls (including financial, operational, compliance and information technology controls) and risk management systems of our Group are adequate and effective to address the financial, operational, compliance and information technology risks of our Group.

Opinion of our Audit Committee in relation to our CFO

In considering the suitability of Ms. Chen Yanling for her role as our CFO, our Audit Committee has considered several factors, including the following: (a) her educational and professional qualifications and working experience; (b) her abilities, familiarity and diligence in relation to the financial matters of our Group; (c) the absence of negative feedback from our Independent Auditor; and (d) the interactions of our Audit Committee with Ms. Chen Yanling in her capacity as CFO.

After making all reasonable enquiries, and to the best of their knowledge and belief, nothing has come to the attention of our Audit Committee to cause them to believe that Ms. Chen Yanling does not have the competence, character and integrity expected of a chief financial officer of a listed issuer.

Terms of Office

Save as disclosed in the section entitled "*Management and Corporate Governance – Directors and Executive Officers – Service Agreements with Directors*" of this Introductory Document, our Directors do not currently have a fixed term of office.

Our Directors shall hold office until such time as they are removed from office by ordinary resolution of the Shareholders pursuant to our Memorandum and Articles of Association. The office of a Director shall be vacated if, among other things, the Director (i) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors; or (ii) resigns his office by notice in writing to our Company or tendered at a meeting of our Board; or (iii) dies or is found to be or becomes of unsound mind; or (iv) without special leave of absence from our Board, is absent from meetings of our Board for six (6) consecutive months, and his alternate director, if any, shall not during such period have attended in his stead and our Board resolves that his office be vacated; or (v) is prohibited by law from being a Director; or (vi) ceases to be a Director by virtue of any provision of the law of the Cayman Islands and our Memorandum and Articles of Association or is removed from office pursuant to our Articles of Association.

At each annual general meeting, one-third of our Directors then in office (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director shall be subject to retirement at least once every three (3) years. A retiring Director shall be eligible for re-election.

We have also entered into a letter of appointment with each of our Independent Non-Executive Directors. Pursuant to such letters of appointment, each of them is appointed for a fixed term of not more than one (1) year and is subject to retirement by rotation and re-election at the annual general meetings of our Company in accordance with our Articles of Association.

LEGAL REPRESENTATIVES

Identity of Legal Representatives of our PRC Principal Subsidiaries

The legal representative of each of our PRC Principal Subsidiaries are as follows:

PRC Principal Subsidiary	Name of the Legal Representative	Role(s) in the respective PRC Principal Subsidiaries
Shenzhen Kangzhe Pharmaceutical Co., Ltd. (深圳市康哲药业有限公司)	Jiang Qingfu (蒋庆富)	Chairman of the board of directors and General Manager
Tianjin Kangzhe Vision Pharmaceutical Technology Development Co., Ltd. (天津康哲维盛医药科技发展有限公司)	Yang Bing (杨兵)	Chairman of the board of directors and General Manager
Kangzhe (Hunan) Medical Co., Ltd. (康哲（湖南）制药有限公司)	Zhu Hongtao (祝洪涛)	Chairman of the board of directors and General Manager
Tibet Kangzhe Pharmaceutical Development Co., Ltd. (西藏康哲药业发展有限公司)	Jiang Qingfu (蒋庆富)	Chairman of the board of directors and General Manager
Hainan Dermavon Pharmaceutical Technology Co., Ltd. (formerly known as Hainan Kangzhe Skinhealth Technology Co., Ltd.) (海南德镁医药科技有限责任公司，前称为海南康哲美丽科技有限公司)	Sun Hongwei (孙洪伟)	General Manager
Hainan Kangzhe Vision Technology Co., Ltd. (海南康哲维盛科技有限公司)	Cheng Weiyang (程维洋)	General Manager
Tibet Kangzhe Enterprise Management Co., Ltd. (西藏康哲企业管理有限公司)	Li Yufang (李玉芳)	Chairman of the board of directors and General Manager
Hainan Kangzhe Venture Capital Co., Ltd. (海南省康哲创业投资有限公司)	Jiang Fei (姜非)	Chairman of the board of directors and General Manager
Kangzhe Pharmaceutical Investment Co., Ltd. (康哲医药投资有限公司)	Wang Gang (王刚)	General Manager
Shanghai Carnation Medical Technology Co., Ltd. (上海康乃馨医疗科技有限公司)	Xiong Yafang (熊雅芳)	Chairman of the board of directors and General Manager
Shanghai Dermavon Pharmaceutical Co. Ltd. (formerly known as Shanghai Kangzhe Skinhealth Pharmaceutical Co. Ltd.) (上海德镁馨医药有限责任公司，前称为上海康哲美丽医药有限责任公司)	Sun Hongwei (孙洪伟)	General Manager

Heling Medical (Guangzhou) Company Limited (禾零医药（广州）有限公司)	Dong Yu (董玉)	Director

Powers and Duties of Legal Representatives

In accordance with applicable PRC laws, each of the above legal representatives has the powers to act as representative of that PRC Principal Subsidiary and to execute contracts on behalf of that PRC Principal Subsidiary, with or without the company's seals, and is able to do so solely. The PRC Principal Subsidiaries have appointed legal representatives as required by the PRC laws, who are given the powers to represent, exercise rights and enter into binding obligations on behalf of the PRC Principal Subsidiaries under the PRC laws.

Appointment and Removal of Legal Representatives

Under the applicable PRC laws, the legal representative shall be appointed and removed in accordance with PRC laws and/or the articles of association of the company. The legal representative shall be the director or manager who executes the corporate affairs of the company. Further, the director shall be appointed by the shareholders and the manager shall be appointed by the board or executive director. Therefore, the legal representative can be appointed and removed by the shareholders or through the appointed board or executive director, with or without the legal representative's consent.

Except for Dermavon Pharmaceutical Technology, all of the PRC Principal Subsidiaries have specified the rights for the appointment and removal of legal representatives in their articles of association. For Dermavon Pharmaceutical Technology, although its articles of association do not explicitly outline these rights, legal representatives can still be properly appointed and removed in accordance with the Company Law of PRC (《中华人民共和国公司法》). According to the Company Law of PRC (《中华人民共和国公司法》), the legal representative shall be a director or manager who executes the corporate affairs of the company; the director shall be appointed by the shareholders and the manager shall be appointed by the board or executive directors.

PRC Principal Subsidiaries

Based on the above and the articles of association of each of our PRC Principal Subsidiaries, each of their respective shareholder(s) shall be able to, either directly or indirectly, control the appointment and dismissal of the respective legal representatives of our PRC Principal Subsidiaries.

Measures Implemented by our Group

Considering the impact in the event that a legal representative represents any of our PRC Principal Subsidiaries without having obtained prior authorisation, our Group has implemented the following measures:

(a) the implementation of internal control systems to ensure proper authorisation as to delegation of authority and to ensure that payments require proper approvals;

(b) the implementation of measures to safeguard the corporate seal, finance seal, legal seal and cheque books in each of our PRC Principal Subsidiaries such as the safekeeping of such documents and items by a dedicated personnel at our Group's headquarters or the local office in charge of safekeeping the seals in accordance with our seal management system; and

(c) safekeeping of the originals of the business licences of each of our PRC Principal Subsidiaries by a dedicated personnel at our Group's headquarters or the local enterprise in charge of safekeeping the licences in accordance with our licences management system.

Based on the above, our Directors are of the view, on the basis of our PRC Legal Adviser's advice, that the procedures in place to appoint and remove the legal representatives of our PRC Principal

Subsidiaries are adequate to mitigate the risks in relation to the appointment of legal representatives and safeguard the interests of our Group.

SHARE OWNERSHIP

DIRECTORS, CHIEF EXECUTIVE AND SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN OUR SHARES AND UNDERLYING SHARES OF OUR COMPANY

As at 31 December 2022

Interests of Directors and chief executive of our Company

As at 31 December 2022, the interests and short positions of our Directors and chief executive of our Company in our Shares, underlying Shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by our Company pursuant to Section 352 of the SFO, or as otherwise notified to our Company and the HKSE pursuant to the Model Code, were as follows:

Long positions in ordinary shares of our Company

Number of ordinary shares held, capacity and nature of interest					
Name of Directors	**Notes**	**Directly beneficially owned**	**Through controlled corporation**	**Total**	**Approximate percentage of our Company's issued share capital (%)**
Mr. Lam Kong	(a)	–	1,137,564,000	1,137,564,000	46.39
Ms. Chen Yanling	-	7,246,250	–	7,246,250	0.30
Mr. Chen Hongbing	(b)	20,038,225	50,225,000	70,263,225	2.87

Notes:

(a) These Shares are beneficially owned by Treasure Sea Limited. By virtue of his 100% shareholding of Treasure Sea Limited, Mr. Lam Kong is deemed or taken to be interested in the 1,137,564,000 shares owned by Treasure Sea Limited under the SFO.

(b) These Shares are beneficially owned by Viewell Limited. By virtue of his 100% shareholding of Viewell Limited, Mr. Chen Hongbing is deemed or taken to be interested in the 50,225,000 shares owned by Viewell Limited under the SFO.

Save for the above and to the knowledge of our Company, as at 31 December 2022, none of our Directors or chief executive of our Company had or was deemed to have any interest or short position in our Shares, underlying Shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) (a) which were required to be notified to our Company and the HKSE pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which our Directors and chief executive of our Company are taken or deemed to have under the provisions of the SFO); or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to our Company and the HKSE pursuant to the Model Code.

Save as disclosed above, at no time during the year ended 31 December 2022 were rights to acquire benefits by means of the acquisition of Shares in or debentures of our Company granted to any Director or their respective spouses or minor children, or were any such rights exercised by them; nor was our Company or any of its subsidiaries a party to any arrangement to enable our Directors, their respective spouses or minor children to acquire such rights in any other body corporate.

Interests of Substantial Shareholders of our Company and other persons who are required to disclose their interests under the SFO

As at 31 December 2022, the following Substantial Shareholders (other than a Director or the chief executive of our Company) had interests or short positions in our Shares or underlying Shares as recorded in the register required to be kept pursuant to Section 336 of the SFO or otherwise notified to our Company and/or the HKSE as follows:

Long Positions

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Approximate percentage of our Company's issued share capital (%)
Treasure Sea Limited	-	Beneficial owner	1,137,564,000	46.39

Save as disclosed above, as at 31 December 2022, no person (other than our Directors or chief executive of our Company, whose interests are set out in the above) had registered an interest or short position in our Shares or underlying Shares that was required to be recorded in the register maintained pursuant to Section 336 of the SFO or otherwise notified to our Company and/or the HKSE.

As at 31 December 2023

Interests of Directors and chief executive of our Company

As at 31 December 2023, the interests and short positions of our Directors and chief executive of our Company in our Shares, underlying Shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by our Company pursuant to Section 352 of the SFO, or as otherwise notified to our Company and the HKSE pursuant to the Model Code, were as follows:

Long positions in ordinary shares of our Company

Number of ordinary shares held, capacity and nature of interest					
Name of Directors	**Notes**	**Directly beneficially owned**	**Through controlled corporation**	**Total**	**Approximate percentage of our Company's issued share capital (%)**
Mr. Lam Kong	(a)	–	1,137,564,000	1,137,564,000	46.39
Ms. Chen Yanling	-	7,246,250	–	7,246,250	0.30
Mr. Chen Hongbing	(b)	20,038,225	50,225,000	70,263,225	2.87

Notes:

(a) These Shares are beneficially owned by Treasure Sea Limited. By virtue of his 100% shareholding of Treasure Sea Limited, Mr. Lam Kong is deemed or taken to be interested in the 1,137,564,000 shares owned by Treasure Sea Limited under the SFO.

(b) These Shares are beneficially owned by Viewell Limited. By virtue of his 100% shareholding of Viewell Limited, Mr. Chen Hongbing is deemed or taken to be interested in the 50,225,000 shares owned by Viewell Limited under the SFO.

Save for the above and to the knowledge of our Company, as at 31 December 2023, none of our Directors or chief executive of our Company had or was deemed to have any interest or short position in our Shares, underlying Shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) (a) which were required to be notified to our Company and the HKSE pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which our Directors and chief executive of our Company are taken or deemed to have under the provisions of the SFO); or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to our Company and the HKSE pursuant to the Model Code.

Save as disclosed above, at no time during the year ended 31 December 2023 were rights to acquire benefits by means of the acquisition of Shares in or debentures of our Company granted to any Director or their respective spouses or minor children, or were any such rights exercised by them; nor was our Company or any of its subsidiaries a party to any arrangement to enable our Directors, their respective spouses or minor children to acquire such rights in any other body corporate.

Interests of Substantial Shareholders of our Company and other persons who are required to disclose their interests under the SFO

As at 31 December 2023, the following Substantial Shareholders (other than a Director or the chief executive of our Company) had interests or short positions in our Shares or underlying Shares as recorded in the register required to be kept pursuant to Section 336 of the SFO or otherwise notified to our Company and/or the HKSE as follows:

Long Positions

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Approximate percentage of our Company's issued share capital (%)
Treasure Sea Limited	-	Beneficial owner	1,137,564,000	46.39

Save as disclosed above, as at 31 December 2023, no person (other than our Directors or chief executive of our Company, whose interests are set out in the above) had registered an interest or short position in our Shares or underlying Shares that was required to be recorded in the register maintained pursuant to Section 336 of the SFO or otherwise notified to our Company and/or the HKSE.

As at 31 December 2024

Interests of Directors and chief executive of our Company

As at 31 December 2024, the interests and short positions of our Directors and chief executive of our Company in our Shares, underlying Shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by our Company pursuant to Section 352 of the SFO, or as otherwise notified to our Company and the HKSE pursuant to the Model Code, were as follows:

Long positions in ordinary shares of our Company

Number of ordinary shares held, capacity and nature of interest					
Name of Directors	**Notes**	**Directly beneficially owned**	**Through controlled corporation**	**Total**	**Approximate percentage of our Company's issued share capital (%)**
Mr. Lam Kong	(a)	–	1,167,564,000	1,167,564,000	47.86
Ms. Chen Yanling	-	7,246,250	–	7,246,250	0.30
Mr. Chen Hongbing	(b)	20,038,225	50,225,000	70,263,225	2.88

Notes:

(a) These Shares are beneficially owned by Treasure Sea Limited. By virtue of his 100% shareholding of Treasure Sea Limited, Mr. Lam Kong is deemed or taken to be interested in the 1,167,564,000 shares owned by Treasure Sea Limited under the SFO.

(b) These Shares are beneficially owned by Viewell Limited. By virtue of his 100% shareholding of Viewell Limited, Mr. Chen Hongbing is deemed or taken to be interested in the 50,225,000 shares owned by Viewell Limited under the SFO.

Save for the above and to the knowledge of our Company, as at 31 December 2024, none of our Directors or chief executive of our Company had or was deemed to have any interest or short position in our Shares, underlying Shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) (a) which were required to be notified to our Company and the HKSE pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which our Directors and chief executive of our Company are taken or deemed to have under the provisions of the SFO); or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to our Company and the HKSE pursuant to the Model Code.

Save as disclosed above, at no time during the year ended 31 December 2024 were rights to acquire benefits by means of the acquisition of Shares in or debentures of our Company granted to any Director or their respective spouses or minor children, or were any such rights exercised by them; nor was our Company or any of its subsidiaries a party to any arrangement to enable our Directors, their respective spouses or minor children to acquire such rights in any other body corporate.

Interests of Substantial Shareholders of our Company and other persons who are required to disclose their interests under the SFO

As at 31 December 2024, the following Substantial Shareholders (other than a Director or the chief executive of our Company) had interests or short positions in our Shares or underlying Shares as recorded in the register required to be kept pursuant to Section 336 of the SFO or otherwise notified to our Company and/or the HKSE as follows:

Long Positions

Name	**Notes**	**Capacity and nature of interest**	**Number of ordinary shares held**	**Approximate percentage of our Company's issued share capital (%)**
Treasure Sea Limited	-	Beneficial owner	1,167,564,000	47.86

Save as disclosed above, as at 31 December 2024, no person (other than our Directors or chief executive of our Company, whose interests are set out in the above) had registered an interest or short position in our Shares or underlying Shares that was required to be recorded in the register maintained pursuant to Section 336 of the SFO or otherwise notified to our Company and/or the HKSE.

As at the Latest Practicable Date

Interests of Directors and chief executive of our Company

As at the Latest Practicable Date, the interests and short positions of our Directors and chief executive of our Company in our Shares, underlying Shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by our Company pursuant to Section 352 of the SFO, or as otherwise notified to our Company and the HKSE pursuant to the Model Code, were as follows:

Long positions in ordinary shares of our Company

Number of ordinary shares held, capacity and nature of interest					
Name of Directors	**Notes**	**Directly beneficially owned**	**Through controlled corporation**	**Total**	**Approximate percentage of our Company's issued share capital (%)**
Mr. Lam Kong	(a)	–	1,167,564,000	1,167,564,000	47.86
Ms. Chen Yanling	-	7,246,250	–	7,246,250	0.30
Mr. Chen Hongbing	(b)	17,038,225	50,225,000	67,263,225	2.76

Notes:

(a) These Shares are beneficially owned by Treasure Sea Limited. By virtue of his 100% shareholding of Treasure Sea Limited, Mr. Lam Kong is deemed or taken to be interested in the 1,167,564,000 shares owned by Treasure Sea Limited under the SFO.

(b) These Shares are beneficially owned by Viewell Limited. By virtue of his 100% shareholding of Viewell Limited, Mr. Chen Hongbing is deemed or taken to be interested in the 50,225,000 shares owned by Viewell Limited under the SFO.

Save for the above and to the knowledge of our Company, as at the Latest Practicable Date, none of our Directors or chief executive of our Company had or was deemed to have any interest or short position in our Shares, underlying Shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) (a) which were required to be notified to our Company and the HKSE pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which our Directors and chief executive of our Company are taken or deemed to have under the provisions of the SFO); or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to our Company and the HKSE pursuant to the Model Code.

Save as disclosed above, at no time during the period from 1 January 2025 up to the Latest Practicable Date were rights to acquire benefits by means of the acquisition of Shares in or debentures of our Company granted to any Director or their respective spouses or minor children, or were any such rights exercised by them; nor was our Company or any of its subsidiaries a party to any arrangement to enable our Directors, their respective spouses or minor children to acquire such rights in any other body corporate.

Interests of Substantial Shareholders of our Company and other persons who are required to disclose their interests under the SFO

As at the Latest Practicable Date, the following Substantial Shareholders (other than a Director or the chief executive of our Company) had interests or short positions in our Shares or underlying Shares as recorded in the register required to be kept pursuant to Section 336 of the SFO or otherwise notified to our Company and/or the HKSE as follows:

Long Positions

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Approximate percentage of our Company's issued share capital (%)
Treasure Sea Limited	-	Beneficial owner	1,167,564,000	47.86

Save as disclosed above, as at the Latest Practicable Date, no person (other than our Directors or chief executive of our Company, whose interests are set out in the above) had registered an interest or short position in our Shares or underlying Shares that was required to be recorded in the register maintained pursuant to Section 336 of the SFO or otherwise notified to our Company and/or the HKSE.

SIGNIFICANT CHANGES IN PERCENTAGE OF OWNERSHIP

The following table sets out the changes in the shareholding of our Directors and substantial shareholders in our Company in the past three (3) years up to the Latest Practicable Date based on public disclosures on the HKSE website available as of the Latest Practicable Date. As indicated below, based on public disclosures on the HKSE website available as of the Latest Practicable Date, there were no significant changes in the percentage of ownership of our Company in the past three (3) years up to the Latest Practicable Date.

Name of Shareholder/Director	Percentage of Shareholding in our Company (%)[(1)]			
	As of 31 December 2022	As of 31 December 2023	As of 31 December 2024	As of the Latest Practicable Date
Mr. Lam Kong	46.39	46.39	47.86	47.86
Ms. Chen Yanling	0.30	0.30	0.30	0.30
Mr. Chen Hongbing	2.87	2.87	2.88	2.76
Mr. Leung Chong Shun	-	-	-	-
Ms. Luo Laura Ying	-	-	-	-
Mr. Fung Ching Simon	-	-	-	-
Treasure Sea Limited[(2)]	46.39	46.39	47.86	47.86

Notes:

(1) Rounded to two (2) decimal places.

(2) The Shares are beneficially owned by Treasure Sea Limited, which is wholly owned by Mr. Lam Kong. As such, Mr. Lam Kong is deemed or taken to be interested in the Shares owned by Treasure Sea Limited under the SFO.

As at the Latest Practicable Date, the percentage of shareholding in our Company held by other Shareholders (save for our Directors and our substantial shareholders) is approximately 49.08%.

The Shares of our Company held by our Directors and substantial shareholders do not carry different voting rights from any other Shares of our Company.

To our knowledge, save as disclosed in this Introductory Document, our Company is not directly or indirectly owned or controlled, whether severally or jointly, by any person or government.

We are not aware of any arrangements, the operation of which may at a subsequent date result in a change in control of our Company, or any contractual undertakings for any of our Shareholders to observe a moratorium on the transfer or disposal of his or her interest in our Shares.

Save as disclosed above and in the section entitled "*Management and Corporate Governance – Compensation of Directors and Executive Officers*" of this Introductory Document, no person has, or has the right to be given, an option to subscribe for or purchase any securities or securities-based derivatives contracts of our Company as at the Latest Practicable Date.

Save as disclosed above and in the section entitled "*Management and Corporate Governance – Compensation of Directors and Executive Officers*" of this Introductory Document, no securities or securities-based derivatives contracts were issued or agreed to be issued by our Company for cash or

for a consideration other than cash during the last three (3) years preceding the Latest Practicable Date.

Our Company has engaged BOCI Trustee (Hong Kong) Limited as a trustee (the "**Trustee**") to administer the Share Award Scheme, and the Trustee will use our Company's own funds to purchase Shares from the secondary market. Save for the foregoing, there are no Shares in our Company that are held by or on behalf of our Company or by the subsidiaries of our Company.

DESCRIPTION OF SHARE CAPITAL

OVERVIEW

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on 18 December 2006 under the Cayman Islands Companies Act.

As at the Latest Practicable Date, our authorised share capital is US$100,000,000 divided into 20,000,000,000 Shares with a par value of US$0.005 each and our issued and paid-up capital is US$12,197,642.56 divided into 2,439,528,512 Shares each with a par value of US$0.005. All of our 2,439,528,512 issued Shares are in registered form and fully paid up. There is only one (1) class of shares in the capital of our Company, being the Shares.

The table below sets out the share capital and the number of Shares outstanding as at the beginning and end of the most recently completed financial year, being 1 January 2024 and 31 December 2024 respectively:-

	Number of Shares in issue	**Issued capital (RMB'000)**	**Share premium account (RMB'000)**	**Total (RMB'000)**
As at 1 January 2024	2,451,989,000	83,991	2,105,621	2,189,612
As at 31 December 2024	2,439,528,512	83,564	2,025,601	2,109,165

SUMMARY OF SELECTED PROVISIONS OF OUR ARTICLES OF ASSOCIATION

The following is a summary of material provisions of our Articles of Association in relation to our share capital. The Cayman Islands Companies Act differs from laws applicable to Singapore companies and their shareholders. A comparison of certain aspects of the Cayman Islands Companies Act applicable to us and the Singapore Companies Act applicable to Singapore companies is set forth in the section entitled "*Appendix B — Comparison of Selected Cayman Islands Corporate Law Provisions and Singapore Corporate Law Provisions*" to this Introductory Document. The summary below does not purport to be complete and is qualified in its entirety by reference to our Articles of Association and the applicable provisions of the Cayman Islands Companies Act.

Objects of Our Company

The objects of our Company are unrestricted and we have the full power and authority to carry out any object not prohibited by the law of the Cayman Islands.

Voting Rights

Subject to any special rights or restrictions as to voting for the time being attached to any Shares by or in accordance with the Articles of Association of our Company, each Shareholder of a Share present in person or by proxy or, in the case of a Shareholder being a corporation, by its authorised representative, shall be entitled to one (1) vote on all matters subject to vote at general meetings of our Company. A resolution put to the vote of a general meeting shall be decided by way of a poll. All questions submitted to a meeting shall be decided by a simple majority of votes except where a greater majority is required by the Cayman Islands Companies Act and our Memorandum and Articles of Association. In the case of an equality of votes, the chairman of such meeting shall be entitled to a second or casting vote in addition to any other vote he may have.

An ordinary resolution to be passed at a meeting by the Shareholders requires the affirmative vote of a simple majority of the votes cast by such Shareholders entitled to vote at a meeting, while a special resolution requires the affirmative vote by a majority of no less than three-fourths of the votes cast by

such Shareholders entitled to vote at a meeting. A special resolution will be required for important matters such as a change of name or making changes to our Memorandum of Association and/or our Articles of Association. Our Company may from time to time by ordinary resolution in accordance with the Cayman Islands Companies Act alter the conditions of our Memorandum of Association to (i) increase the amount of our authorised share capital, (ii) consolidate all or any of our share capital into Shares of larger amount than our existing Shares, (iii) divide our Shares several classes without prejudice to any special rights previously conferred on the holders of existing share attached thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or such restrictions which in the absence of any such determination by our Company in general meeting, (iv) subdivide our Shares or any of them into Shares of an amount smaller than that fixed by our Memorandum and Articles of Association, and (v) cancel any unissued Shares as provided in the Articles of Association of our Company. Both ordinary resolutions and special resolutions may also be passed by a unanimous written resolution signed by all the Shareholders of our Company, as permitted by the Cayman Islands Companies Act and our Memorandum and Articles of Association.

Dividends

The holders of our ordinary shares are entitled to such dividends as may be declared by our Board of Directors, subject to our Articles of Association. In addition, subject to the Cayman Islands Companies Act, our Company in general meeting may from time to time declare dividends in any currency to be paid to our Shareholders but no dividend may exceed the amount recommended by our Directors. In either case, under the laws of the Cayman Islands, our Company may pay a dividend out of either profits or share premium account, provided that in no circumstances may a dividend be paid if this would result in our Company being unable to pay its debts as they fall due in the ordinary course of business.

All dividends or bonuses unclaimed for one (1) year after having been declared may be invested or otherwise made use of by our Board of Directors for the benefit of our Company until claimed. Any dividend or bonuses unclaimed after a period of six (6) years from the date of declaration shall be forfeited and shall revert to our Company.

Election, Removal and Remuneration of Directors

Unless otherwise determined by our Company in general meeting, the number of directors shall not be less than two (2) directors. There shall be no maximum number of directors unless otherwise determined from time to time by the Shareholders in general meeting. Our Company may from time to time in general meeting by ordinary resolution increase or reduce the number of directors but so that the number of directors shall never be less than two (2).

Our Board of Directors shall have the power from time to time and at any time to appoint any person as a director either to fill a casual vacancy on our Board or as an addition to our existing Board. Any Director so appointed by our Board shall hold office only until the first annual general meeting of our Company after his appointment and shall then be eligible for re-election. At each annual general meeting one-third of the directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation, provided that every director shall be subject to retirement at least once every three (3) years. Subject to any provision to the contrary in the Articles of Association of our Company, the Shareholders may also, at any general meeting by ordinary resolution, remove a director at any time before the expiration of his period of office, and the vacancy may be filled by the election or appointment by ordinary resolution the Shareholders at the meeting at which such director was removed.

Our Directors shall not be required to hold any shares in our Company by way of qualification.

The ordinary remuneration of the directors shall from time to time be determined by our Company in general meeting.

General Meetings of shareholders

An annual general meeting of our Company shall be held for each financial year, and to be held within six months after the end of such financial year. The annual general meeting shall be held at such time and place as may be determined by our Board.

Each Shareholders' general meetings, other than an annual general meeting, shall be called an extraordinary general meeting. General meetings may be held in any part of the world as may be determined by our Board. Our Board may whenever it thinks fit call extraordinary general meetings. An annual general meeting shall be called by not less than twenty-one (21) clear days' notice. All other extraordinary general meetings may be called by not less than fourteen (14) clear days' notice but a general meeting may be called by shorter notice, subject to the Cayman Islands Companies Act, if it is so agreed: (a) in the case of a meeting called as an annual general meeting, by all the Shareholders entitled to attend and vote thereat; and (b) in the case of any other meeting, by a majority in number of the Shareholders having the right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the issued Shares giving that right.

Any one (1) or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the voting rights, on a one vote per share basis, of our Company carrying the right of voting at general meetings of our Company shall at all times have the right, by written requisition to our Board of directors or the secretary of our Company, to require an extraordinary general meeting to be called by our Board for the transaction of any business specified in such requisition. If within twenty-one (21) days of such deposit our Board fails to proceed to convene such meeting to be held within a further twenty-one (21) days, the requisitionist(s) himself (themselves), or any of them representing more than one-half of the total rights of all of them, may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of our Board shall be reimbursed by our Company and paid to the requisitionist(s).

Transfer of Shares

Subject to the restrictions of our Memorandum and Articles of Association, as applicable, any of our Shareholders may transfer any or all of his or her ordinary shares by an instrument of transfer in the usual common form or in such form as approved by our Board of Directors, which is consistent with the standard form of transfer as prescribed by the HKSE and approved by our Board of Directors, and may be under hand or by machine imprinted signature or by such other manner of execution as our Board of Directors may approve from time to time. The aforementioned procedure in relation to transfers of shares shall apply to the investors holding Shares deposited with CDP (who shall instruct CDP which hold Shares for and on behalf of such investors) as we will continue to comply with the rules of HKSE, which is our home exchange, after the Introduction.

Our Board of Directors may, in its absolute discretion, and without giving any reason, refuse to register a transfer of any share which is not fully paid up or on which our Company has a lien, and it may also refuse to register a transfer of any share to more than four (4) joint holders. Our Board of Directors may also decline to recognise any instrument of transfer unless:

(a) a fee of such maximum sum as the HKSE may determine to be payable or such lesser sum as our Board may from time to time require is paid to our Company in respect thereof;

(b) the instrument of transfer is in respect of only one class of share;

(c) the instrument of transfer is lodged at the registered office of our Company or such other place at which the share register is kept in accordance with the Cayman Islands Companies Act or the registration office (as the case may be) accompanied by the relevant share certificate(s)

and such other evidence as our Board may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do); and

(d) if applicable, the instrument of transfer is duly and properly stamped.

If our Directors refuse to register a transfer they shall notify the transferee within two (2) months after the date on which the instrument of transfer was lodged, send to each of the transferor and transferee notice of refusal.

The registration of transfers of Shares may, after notice has been given by advertisement published on the HKSE's website, or, subject to the Hong Kong Listing Rules, by electronic communication in the manner in which notices may be served by our Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers in compliance with the Hong Kong Listing Rules, be suspended at such times and for such periods as our Board of Directors may determine provided that such registration shall not be suspended or the register closed for more than thirty (30) days in any year, or such longer period not exceeding sixty (60) days in any year as our Shareholders may by ordinary resolution determine.

Liquidation

On the winding-up of our Company, if the assets available for distribution among our Shareholders shall be more than sufficient to repay the whole of the share capital at the commencement of the winding-up, the excess shall be distributed *pari passu* among our Shareholders in proportion to the amount paid up on the Shares held by them respectively. If our assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that, as nearly as may be, the losses are borne by our Shareholders in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the Shares held by them respectively.

Calls on Shares and Forfeiture of Shares

Subject to the Articles of Association of our Company and to the terms of allotment, our Board of Directors may from time to time make calls upon Shareholders in respect of any moneys unpaid on their Shares (whether on account of the nominal value of the shares or by way of premium), and each Shareholder shall (subject to being given least fourteen (14) clear days' notice specifying the time and place of payment) pay to our Company as required by such notice the amount called on his Shares. The Shares that have been called upon and remain unpaid may be subject to forfeiture as provided in the Articles of Association of our Company.

Repurchase, Redemption and Surrender of Shares

Subject to the provisions of the Cayman Islands Companies Act, the rules of the HKSE and the Memorandum and Articles of Association of our Company, and to any special rights conferred on the holders of any Shares or attaching to any class of Shares, Shares may be issued on the terms that they may be, or at the option of our Company or the holder are, liable to be redeemed on such terms and in such manner, including out of capital, as our Board may deem fit. Subject to the provisions of the Cayman Islands Companies Act, the Memorandum and Articles of Association of our Company and the rules of the HKSE, our Company shall have the power to purchase or otherwise acquire its own Shares, provided that the manner of purchase or acquisition has first been authorised by a resolution of the Shareholders. The aforementioned procedures in relation to repurchase and redemption of shares respectively shall apply to the investors holding Shares via CDP (who shall instruct CDP which hold Shares for and on behalf of such investors) as we will continue to comply with the rules of HKSE, which is our home exchange, after the Introduction.

Under the Cayman Islands Companies Act, the redemption or repurchase of any Share may be paid out of our Company's profits or out of the proceeds of a new issue of Shares made for the purpose of

such redemption or repurchase, or out of capital (including share premium account and capital redemption reserve) if our Company can, immediately following such payment, pay its debts as they fall due in the ordinary course of business. In addition, under the Cayman Islands Companies Act, no such Share may be redeemed or repurchased (a) unless it is fully paid up, (b) if such redemption or repurchase would result in there being no Shares outstanding or (c) if our Company has commenced liquidation. In addition, our Company may accept the surrender of any fully paid Share for no consideration.

Variation of Rights of Shares

Subject to the provisions of the Cayman Islands Companies Act and the Memorandum and Articles of Association of our Company, all or any of the special rights for the time being attached to the Shares or any class of Shares may, unless otherwise provided by the terms of issue of the Shares of that class, from time to time (whether or not our Company is being wound-up) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. The special rights conferred upon the holders of any Shares or class of Shares shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such Shares, be deemed to be varied, modified or abrogated by the creation or issue of further Shares ranking *pari passu* therewith.

Alteration of Capital

Our Company may from time to time by ordinary resolution in accordance with the Cayman Islands Companies Act alter the conditions of our Memorandum of Association to:

(a) increase our share capital by such sum, to be divided into Shares of such classes and amount, as the resolution shall prescribe;

(b) consolidate and divide all or any of our share capital into Shares of larger amount than our existing Shares;

(c) divide our Shares into several classes and without prejudice to any special rights previously conferred on the holders of existing Shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or such restrictions which in the absence of any such determination by our Company in general meeting, as our Directors may determine provided always that where our Company issues Shares which do not carry voting rights, the words “non-voting” shall appear in the designation of such Shares and where the equity capital includes Shares with different voting rights, the designation of each class of Shares, other than those with the most favourable voting rights, must include the words “restricted voting” or “limited voting”;

(d) sub-divide our existing Shares, or any of them into shares of a smaller amount than is fixed by our Memorandum and Articles of Association (subject, nevertheless, to the Cayman Islands Companies Act), and may by such resolution determine that, as between the holders of the Shares resulting from such sub-division, one (1) or more of the Shares may have any such preferred, deferred or other rights or be subject to any such restrictions as compared with the other or others as our Company has power to attach to unissued or new Shares; and

(e) cancel any Shares that, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of our share capital by the amount of the shares so cancelled or, in the case of Shares, without par value, diminish the number of Shares into which its capital is divided.

HISTORY OF SHARE CAPITAL

ISSUED AND FULLY PAID CAPITAL AS AT 31 DECEMBER OF THE THREE (3) YEARS PRECEDING THE LATEST PRACTICABLE DATE

The following table sets forth the issued and fully paid share capital of our Company, and the issued and fully paid share capital or registered capital of each of our Principal Subsidiaries (as the case may be), as at 31 December of the three (3) years preceding the Latest Practicable Date[(1)].[21]

Our Company and Principal Subsidiaries	**Issued and Fully Paid Share Capital / Registered Capital**		
	As at 31 December 2022	**As at 31 December 2023**	**As at 31 December 2024**
OUR COMPANY			
	RMB83,991,000	RMB83,991,000	RMB83,564,000
CMS INTERNATIONAL DEVELOPMENT AND MANAGEMENT LIMITED			
	MOP$113,340,100	MOP$113,340,100	MOP$113,340,100
CMS VISION INTERNATIONAL MANAGEMENT LIMITED			
	-	MOP$22,500	MOP$25,000
DERMAVON INTERNATIONAL BUSINESS LIMITED (formerly known as CMS SKINHEALTH INTERNATIONAL BUSINESS LIMITED)			
	-	MOP$22,500	MOP$25,000
CMS PHARMA DMCC			
	DH104,490,000	DH104,490,000	DH104,490,000
SHENZHEN KANGZHE PHARMACEUTICAL CO., LTD. (深圳市康哲药业有限公司)			
	RMB350,000,000	RMB350,000,000	RMB355,000,000

[21] As extracted from our Company's annual reports for FY2022, FY2023 and FY2024.

Our Company and Principal Subsidiaries	Issued and Fully Paid Share Capital / Registered Capital		
	As at 31 December 2022	As at 31 December 2023	As at 31 December 2024
TIANJIN KANGZHE VISION PHARMACEUTICAL TECHNOLOGY DEVELOPMENT CO., LTD. (天津康哲维盛医药科技发展有限公司)			
	RMB500,000,000	RMB500,000,000	RMB500,000,000
KANGZHE (HUNAN) MEDICAL CO., LTD. (康哲（湖南）制药有限公司)			
	RMB36,750,000	RMB36,750,000	RMB36,750,000
TIBET KANGZHE PHARMACEUTICAL DEVELOPMENT CO., LTD. (西藏康哲药业发展有限公司)			
	RMB100,000,000	RMB100,000,000	RMB100,000,000
HAINAN DERMAVON PHARMACEUTICAL TECHNOLOGY CO., LTD. (formerly known as HAINAN KANGZHE SKINHEALTH TECHNOLOGY CO., LTD.) (海南德镁医药科技有限责任公司，前称为海南康哲美丽科技有限公司)			
	RMB145,000,000	RMB145,000,000	RMB345,000,000
HAINAN KANGZHE VISION TECHNOLOGY CO., LTD. (海南康哲维盛科技有限公司)			
	-	RMB90,000,000	RMB130,000,000
TIBET KANGZHE ENTERPRISE MANAGEMENT CO., LTD. (西藏康哲企业管理有限公司)			
	RMB10,000,000	RMB10,000,000	RMB10,000,000
HAINAN KANGZHE VENTURE CAPITAL CO., LTD. (海南省康哲创业投资有限公司)			
	RMB520,050,000	RMB787,050,000	RMB807,050,000
KANGZHE PHARMACEUTICAL INVESTMENT CO., LTD. (康哲医药投资有限公司)			

Our Company and Principal Subsidiaries	Issued and Fully Paid Share Capital / Registered Capital		
	As at 31 December 2022	As at 31 December 2023	As at 31 December 2024
	RMB50,000,000	RMB50,000,000	RMB50,000,000
SHANGHAI CARNATION MEDICAL TECHNOLOGY CO., LTD. (上海康乃馨医疗科技有限公司)			
	RMB2,842,105	RMB2,842,105	RMB2,842,105
SHANGHAI DERMAVON PHARMACEUTICAL CO., LTD. (formerly known as SHANGHAI KANGZHE SKINHEALTH PHARMACEUTICAL CO., LTD.) (上海德镁馨医药有限责任公司，前称为上海康哲美丽医药有限责任公司)			
	RMB10,000,000	RMB10,000,000	RMB10,000,000
HELING MEDICAL (GUANGZHOU) COMPANY LIMITED (禾零医药（广州）有限公司)			
	RMB3,000,000	RMB3,000,000	RMB3,000,000
SINO TALENT LIMITED			
	HK$1	HK$1	HK$1
SKY UNITED TRADING LIMITED			
	HK$10	HK$10	HK$10
CMS BRIDGING LIMITED			
	HK$1,000,000,000	HK$1,000,000,000	HK$1,000,000,000
CMS MEDICAL VENTURE INVESTMENT (HK) LIMITED			
	HK$100	HK$2,268,542,500	HK$2,268,542,500
DERMAVON LIMITED (formerly known as CMS SKINHEALTH LIMITED)			
	HK$1	HK$1	HK$1

Our Company and Principal Subsidiaries	Issued and Fully Paid Share Capital / Registered Capital		
	As at 31 December 2022	As at 31 December 2023	As at 31 December 2024
RXILIENT MEDICAL (HONG KONG) LIMITED (formerly known as LUQA BUSINESS DEVELOPMENT LIMITED)			
	HK$1	HK$1	HK$1

Note:

(1) The concept of share capital is not applicable to PRC limited partnerships under the applicable PRC laws.

CHANGES IN ISSUED CAPITAL

The following tables set forth the changes in the issued capital of our Company and each of our Principal Subsidiaries within the three (3) years preceding the Latest Practicable Date. Except as disclosed below, there were no changes in the issued capital of our Company and each of our Principal Subsidiaries within the three (3) years preceding the Latest Practicable Date(1).

Our Company

Date of Change	No. of Shares Reduced	Par value per Share (in US$)	Ratio of Capital Reduction (%)	Resultant Issued Share Capital		Reason for Reduction
				No. of Shares	Approx. (US$)	
24 November 2022	725,000	0.005	0.0296	2,451,988,512	12,259,942.56	Our Company's cancellation of its repurchased Shares.
31 May 2024	12,460,000	0.005	0.5082	2,439,528,512	12,197,642.56	Our Company's cancellation of its repurchased Shares.

Our Principal Subsidiaries

Date of Issue / Change	No. of Shares Issued / Amount of Increase in Share / Registered Capital	Issue Price per Share / Price per Registered Capital	Resultant Issued Share / Registered Capital	Reason for Issue / Change
CMS VISION INTERNATIONAL MANAGEMENT LIMITED				
29 May 2023	Two (2) new shares issued	1 share at MOP22,500 and 1 share at MOP2,500	MOP25,000	Share capital upon incorporation.
DERMAVON INTERNATIONAL BUSINESS LIMITED (formerly known as CMS SKINHEALTH INTERNATIONAL BUSINESS LIMITED)				
7 July 2023	Two (2) new shares issued	1 share at MOP22,500 and 1 share at MOP2,500	MOP25,000	Share capital upon incorporation.
CMS MEDICAL VENTURE INVESTMENT (HK) LIMITED				
30 December 2023	2,268,542,400 new shares issued	HK$1	HK$2,268,542,500	Loan capitalisation.
SHENZHEN KANGZHE PHARMACEUTICAL CO., LTD. (深圳市康哲药业有限公司)				
23 December 2024	RMB 5,000,000	Not applicable as it is in the form of an equity swap	RMB355,000,000	Equity swap with Sino Talent Limited to expand business operations.
HAINAN DERMAVON PHARMACEUTICAL TECHNOLOGY CO., LTD. (formerly known as HAINAN KANGZHE SKINHEALTH TECHNOLOGY CO., LTD.) (海南德镁医药科技有限责任公司，前称为海南康哲美丽科技有限公司)				

Date of Issue / Change	No. of Shares Issued / Amount of Increase in Share / Registered Capital	Issue Price per Share / Price per Registered Capital	Resultant Issued Share / Registered Capital	Reason for Issue / Change
2 July 2024	RMB200,000,000	RMB1	RMB400,000,000	Injection of operating capital by Dermavon Limited (formerly known as CMS Skinhealth Limited) to expand business operations.
6 March 2025	RMB150,000,000	RMB1	RMB550,000,000	Injection of operating capital by Dermavon Limited (formerly known as CMS Skinhealth Limited) to expand business operations.
HAINAN KANGZHE VISION TECHNOLOGY CO., LTD. (海南康哲维盛科技有限公司)				
20 April 2023	RMB10,000,000	RMB1	RMB10,000,000	Registered capital upon incorporation.
13 October 2023	RMB120,000,000	RMB1	RMB130,000,000	Injection of operating capital by CMS Vision Technology Development Limited (康哲维盛科技发展有限公司) to expand business operations.
14 June 2024	RMB90,000,000	RMB1	RMB220,000,000	Injection of operating capital by CMS Vision Technology Development Limited (康哲维盛科技发展有限公司) to expand business operations.
HELING MEDICAL (GUANGZHOU) COMPANY LIMITED (禾零医药（广州）有限公司)				
1 August 2022	RMB3,000,000	RMB1	RMB6,000,000	Injection of operating capital by Hainan Dermavon Pharmaceutical Technology Co., Ltd. (formerly known as Hainan Kangzhe Skinhealth Technology Co., Ltd.) (海南德镁医药科技有限责任公司，前称为海南康哲美丽科技有限公司) to expand business operations.

Note:

(1) The concept of share capital is not applicable to PRC limited partnerships under the applicable PRC laws.

As at the Latest Practicable Date, save for the repurchase and holding of our Shares as treasury shares (which have no voting rights), there have been no changes to the voting rights of the issued share capital of our Company, and the share capital or registered capital of our Principal Subsidiaries (as the case may be), and in respect of the changes in the number of shares, share capital or registered capital of our Company and Principal Subsidiaries, save as set out above, no consideration other than cash has been received and no discounts, special terms or instalment payment terms have been offered.

CONNECTED TRANSACTIONS, RELATED PARTY TRANSACTIONS AND POTENTIAL CONFLICTS OF INTERESTS

The following definitions apply in this section unless the context otherwise requires:

connected person	:	has the meaning ascribed to it under the Hong Kong Listing Rules, and in general includes:- (a) a director, chief executive or substantial shareholder of the listed issuer or any of its subsidiaries; (b) a person who was a director of the listed issuer or any of its subsidiaries in the last 12 months; (c) a supervisor of a PRC issuer or any of its subsidiaries; (d) an associate (as defined under the Hong Kong Listing Rules) of any of the above persons; (e) a connected subsidiary (as defined under the Hong Kong Listing Rules); or (f) a person deemed to be connected by the HKSE.
connected transactions	:	has the meaning ascribed to it under the Hong Kong Listing Rules, and in general means: transactions with connected persons, and specified categories of transactions with third parties that may confer benefits on connected persons through their interests in the entities involved in the transactions. They may be one-off connected transactions or continuing connected transactions.

COMPLIANCE WITH CONNECTED TRANSACTION REQUIREMENTS UNDER THE HONG KONG LISTING RULES

As a company listed on the HKSE, we are required to comply with (among other things) the requirements in respect of connected transactions under Chapter 14A of the Hong Kong Listing Rules. The general requirements under the Hong Kong Listing Rules for connected transactions include disclosures in announcements, circulars and annual reports, and shareholders' approval. Persons with material interests cannot vote on the resolution approving the transaction. Continuing connected transactions also require annual reviews by Independent Non-Executive Directors and the auditors. Exemptions and waivers from all or some of the connected transaction requirements are available for specific categories of connected transactions, including connected transactions that are immaterial to the listed issuer's group, or specific circumstances where the risk of abuse by connected persons is low. Exemptions from the connected transaction requirements are available for certain types of transactions such as de minimis transactions, directors' service contracts and insurance, sale and

purchase of consumer goods or services, sharing of administrative services, transactions with associates of passive investors, and transactions with connected persons at the subsidiary level. The exemptions are broadly divided into two (2) categories: (1) fully exempt from shareholders' approval, annual review and all disclosure requirements; and (2) exempt from shareholders' approval requirement.

MEASURES AND PROCEDURES FOR APPROVING CONNECTED TRANSACTIONS

Our Company will continue to comply with the requirements under the Hong Kong Listing Rules with respect to connected transactions including the applicable disclosure and annual reporting requirements in our Company's annual report. These include the making of announcements containing the requisite details under Chapter 14A of the Hong Kong Listing Rules, as well as disclosing in each annual report of our Company a summary of the following details in respect of all non-exempted connected transactions conducted in the relevant financial year (including continuing connected transactions under agreements signed in previous years):-

(1) the transaction date;

(2) the parties to the transaction and a description of their connected relationship;

(3) a brief description of the transaction and its purpose;

(4) the total consideration and terms;

(5) the nature of the connected person's interest in the transaction; and

(6) for continuing connected transactions (i.e. connected transactions involving the provision or goods or services or financial assistance which are carried out on a continuing or recurring basis and are expected to extend over a period of time):-

    (A) a confirmation from our Company's Independent Non-Executive Directors that they have reviewed those continuing connected transactions and a separate confirmation whether the transactions have been entered into:-

        (i) in the ordinary and usual course of business of our Group;

        (ii) on normal commercial terms or better (i.e. being terms which a party could obtain if the transaction were on an arm's length basis or terms no less favourable to our Group than terms available to or from independent third parties); and

        (iii) according to the agreement governing them on terms that are fair and reasonable and in the interests of our Company's shareholders as a whole.

(B) a statement by our Board whether the auditors of our Company have, in turn, confirmed whether anything has come to their attention that causes them to believe that the continuing connected transactions:-

(i) have not been approved by our Board;

(ii) were not, in all material respects, in accordance with the pricing policies of our Group if the transactions involve the provision of goods or services by our Group;

(iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and

(iv) have exceeded the cap (which is a monetary cap required under the Hong Kong Listing Rules to be set with respect to continuing connected transactions).

FUTURE CONNECTED TRANSACTIONS

We will continue to comply with the relevant requirements under the Hong Kong Listing Rules with respect to connected transactions as summarised above when members of our Group enter into connected transactions in the future.

DETAILS OF PREVIOUS CONNECTED TRANSACTIONS UNDER THE HONG KONG LISTING RULES

Details of the connected transactions between our Group and connected persons of our Company, to the extent such connected transactions are required to be disclosed under the Hong Kong Listing Rules, for FY2022, FY2023 and FY2024 (as disclosed in our Company's annual reports for the respective financial years) and for the period from 1 January 2025 to the Latest Practicable Date (based on the relevant announcements and circulars published by our Company for the relevant period) are as follows:

FY2022

Our Group had not entered into any connected transaction or continuing connected transaction in FY2022 that was subject to any of the reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

FY2023

During FY2023, our Group entered into a series of connected transactions related to the assignment and amendment of assets associated with the VALTOCO. These transactions were conducted through the execution of asset assignment agreements on 28 August 2023, and subsequent amendment agreements on

12 September 2023 (collectively, the "**Asset Assignment Agreements**"), with A&B (HK) Company Limited ("**A&B**"), a company wholly owned by Mr. Lam Kong, who is an Executive Director, the chairman of our Board, and a controlling shareholder of our Company. As Mr. Lam Kong is considered a connected person of our Company, A&B is therefore a connected person of our Company.

Pursuant to the Asset Assignment Agreements, A&B transferred and assigned all assets related to any pharmaceutical preparation, formulation, dosage form, or delivery vehicle relating to the VALTOCO and/or its line extensions within the specified territories, which include China, Hong Kong (China), Macau (China), Taiwan (China) and Singapore, to our Group. The assets include marketing authorisation, manufacturing rights, intellectual property, and all commercial, medical and technical information related to this product in these territories. Accordingly, following the acquisition, our Group owns the exclusive rights to promote, distribute, market and sell the VALTOCO in these territories. The assets were initially acquired by Prime West Global Limited from Neurelis under an upstream agreement, with A&B subsequently acquiring the assets for US$5.0 million. Pursuant to the Asset Assignment Agreements, our Group has agreed to pay A&B a royalty fee of 9.0% on the net sales of VALTOCO sold within the territories, subject to annual caps for each year during the five-year periods ending 31 December 2027, and 2032, and for the remaining period of the royalty term up to 2047 set at RMB66.65 million, RMB111.08 million and RMB150 million respectively. The royalty fee for the year ended 31 December 2023 was RMB0.35 million.

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

The initial payment term for the royalty payments is set to expire on 31 December 2047, with the possibility of an extension. Given that the term exceeds the standard three-year period stipulated by Rule 14A.52 of the HKSE Listing Rules, our Company appointed Anglo Chinese Corporate Finance, Limited (the "**IFA**") as an independent financial adviser to confirm that a term of this length is customary in the pharmaceutical industry and necessary due to the significant investment required for drug marketing and promotion. The IFA has confirmed that the term is appropriate and aligned with industry practices.

According to the Hong Kong Listing Rules, if the Asset Assignment Agreements are subsequently terminated or there is any material variation of their terms, our Group must announce this fact as soon as practicable and it must also comply with all other applicable provisions under the Hong Kong Listing Rules.

FY2024

During FY2024, our Group had not entered into any connected transactions, other than the ongoing connected transactions related to VALTOCO which were first entered into in FY2023 where royalty expenses paid to A&B amounted to RMB2.699 million in FY2024.

From 1 January 2025 up to the Latest Practicable Date

Based on the announcements and circulars published by our Company for the period from 1 January 2025 to the Latest Practicable Date, our Group had not entered into any material connected transactions.

RELATED PARTY TRANSACTIONS UNDER ACCOUNTING STANDARDS

Details of our Group's transactions with related parties (as such term is defined pursuant to the applicable accounting standards adopted by our Company) for FY2022, FY2023 and FY2024 (as disclosed in our Company's annual reports for the respective financial years) and for the period from 1 January 2025 to the Latest Practicable Date (based on the relevant announcements and circulars published by our Company for the relevant period) are set out below.

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in holding power over the investee, exposure, or rights, to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amounts of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

Tibet Rhodiola Pharmaceutical

Our Group entered into an agreement with Tibet Rhodiola Pharmaceutical for the exclusive right to market XinHuoSu globally and Imdur in China. This agreement included promotion fees (including incentives) for both products estimated at RMB1.65 billion, RMB2.09 billion, and RMB2.01 billion (including VAT) for FY2022, FY2023 and FY2024 respectively, based on, among others, the promotion fees (including incentives) for XinHuoSu set at 53%, 53% and 53%, with an additional reward fund quota of 1.0%, 0.5% and 0.5%, of its sales revenue (including VAT) for FY2022, FY2023 and FY2024 respectively, and the promotion fees for Imdur set at 18% of its sales revenue (including VAT) for sales of 7.5 million sets or below and at 36% of its sales revenue (including VAT) for sales exceeding 7.5 million sets. Our Group also guaranteed sales amount (including VAT) for both products at RMB2.5 billion, RMB2.8 billion and RMB3.1 billion for FY2022, FY2023 and FY2024 respectively. Details of these transactions are set out in the table below.

	FY2022 (RMB'000)	FY2023 (RMB'000)	FY2024 (RMB'000)	From 1 January 2025 to the Latest Practicable Date (RMB'000)
Promotion income	1,316,329	1,618,832	1,395,476	-
Purchase of goods	611	36	-	-

Eye Tech Care

	FY2022 (RMB'000)	FY2023 (RMB'000)	FY2024 (RMB'000)	From 1 January 2025 to the Latest Practicable Date (RMB'000)
Purchase of goods	-	8,131	9,337	-
Promotion income	-	13,183	9,110	-

Shenzhen Mediportal Health Medical Internet Limited

Our Group paid service fees amounting to nil and approximately RMB5,173,000 and RMB6,904,000 to Shenzhen Mediportal Health Medical Internet Limited, a related party to our Group in FY2022, FY2023 and FY2024 respectively.

Shenzhen Mediportal Health Technology Co. Ltd.

Our Group paid service fees amounting to, nil, nil and approximately RMB1,030,000 to Shenzhen Mediportal Health Technology Co. Ltd., a related party to our Group in FY2022, FY2023 and FY2024 respectively.

A&B

Royalty expenses were paid to A&B, a related party to our Group, as part of Asset Assignment Agreements. Please refer to the section entitled "*Connected Transactions and Potential Conflicts of Interests – Details of Previous Connected Transactions*" of this Introductory Document for further details on this related party transaction with A&B.

Kangzhe Pharmaceutical Research and Development (Shenzhen) Limited ("Kangzhe R&D")

Our Group had an agreement to acquire the production, marketing, and sales rights for CMS024 from Kangzhe R&D (of which 83.23% equity interest is indirectly held by Mr. Lam Kong as at 31 December 2024). Our Group initially agreed to pay a royalty fee of 13% of the quarterly sales revenue generated by our Group after CMS024 is successfully launched. However, the development of CMS024 was terminated in 2023, and no fees were paid to Kangzhe R&D during FY2022 and FY2023.

Faron Pharmaceuticals Ltd ("Faron")

On 8 May 2015, A&B, a company wholly owned by Mr. Lam Kong, entered into agreements with Faron to acquire (i) 15.72% of Faron's shareholding and (ii) assets related to Traumakine in China, Hong Kong (China), Macau (China), and Taiwan (China) (the "**Traumakine Assets**"). At that time, Traumakine was at an early stage of development. In general, products at this stage are subject to a higher level of uncertainty regarding their development outcomes, and consequently, they tend to be more affordable. The intention behind A&B's transaction was to secure the rights to the Traumakine Assets for the benefit of our Group.

On 19 May 2015, our Group entered into framework agreements with A&B and Faron respectively, to enable our Group to acquire the Traumakine Assets. The detailed terms of the acquisition were to be further agreed upon closer to the time when the product reaches a more advanced stage of development. This arrangement was designed to prevent our Group from bearing the uncertain upfront development investment costs and the risk of development failure. Under this arrangement, our Group avoids payments during the product development stage, which are covered by A&B. Our Group will only pay licence fees based on a percentage of sales after the product's official market launch. The licence fees will be negotiated between A&B and our Group prior to the product's launch, at which time our Group will comply with all applicable connected transaction requirements under the Hong Kong Listing Rules and the Listing Rules. If the research and development of Traumakine fail and the product cannot be launched, our Group will not incur any loss from the agreement to acquire the Traumakine Assets. On 31 December 2024, our Group entered into a termination agreement with A&B for the acquisition of the Traumakine Assets. For FY2022, FY2023 and FY2024, our Group made no payments to A&B for the Traumakine Assets.

Acticor

On 31 July 2018, our Group entered into an asset transfer and licence agreement with Acticor to acquire all assets related to ACT017 in the Asia Pacific territory, including without limitation all the know-how, intellectual property or the right of application for the intellectual property, necessary regulatory approvals, documents, dossiers, data or information exclusive for Asia Pacific territory and other rights as necessarily required to develop, register, manufacture and commercialise the Product of ACT017 in the Asia Pacific territory. The payment structure under this agreement consisted of three components. Firstly, a once-off upfront payment of EUR50,000, which was made as deposits paid for acquisition of intangible assets as at 31 December 2022 and 2023. Secondly, milestone payments in relation to stipulated milestones of net-sales, which are once-off in nature once such sales milestones have been achieved. Thirdly, annual royalty fees for the necessary licenses in relation to the product, set at a fixed rate on the basis of the net sales of ACT017 generated in Asia Pacific territory. The upfront payment of EUR50,000 has been impaired during the year ended 31 December 2024 due to Acticor entering dissolution process.

Blueberry Therapeutics Limited

On 14 August 2018, our Group entered into an agreement with Blueberry Therapeutics Limited to acquire all assets related to BB2603 and other pipeline products in the Asia territory. The aforementioned assets include, among others, all the national patents covering the development, commercialisation and formulation of the product of BB2603, national trademarks and necessary regulatory approvals in or for the Asia territory. The agreement included an upfront payment of US$600,000 (as deposits paid for acquisition of intangible assets as at 31 December 2022, 2023 and 2024), with further milestone and royalty payments to follow. As commercialisation milestones have not been achieved, no additional payments were made during FY2022, FY2023 and FY2024. During the year ended 31 December 2023, the RMB amount equivalent of US$600,000 was fully impaired due to Blueberry Therapeutics Limited falling into a state of insolvency.

Helius Medical Technologies Group

On 20 August 2018, our Group entered into a framework agreement with A&B agreeing to acquire the assets and rights related to the portable neurostimulation devices ("**PoNS**") developed by Helius Medical Technologies Group in China, Hong Kong (China), Macau (China) and Taiwan (China). The detailed terms of the acquisition were to be further agreed upon closer to the time when the product reached a more advanced stage of development. The PoNS assets were originally purchased by A&B from Helius Medical Technologies Group. The detailed terms of the agreement will be negotiated between A&B and our Group prior to the product's launch, at which time our Group will comply with all applicable connected transaction requirements under the Hong Kong Listing Rules and the Listing Rules. On 31 December 2024, our Group entered into a termination agreement with A&B in relation to the PoNS assets. For FY2022, FY2023 and FY2024, our Group made no payments to A&B for the PoNS assets.

Neurelis, Inc.

On 20 August 2018, our Group entered into a framework asset transfer agreement with A&B relating to the pharmaceutical preparation, formulation, dosage form, or delivery vehicle, containing or comprising NRL-1 etc. and/or line extensions developed by or for Neurelis, Inc. Under the terms of the agreement, our Group shall acquire from A&B all assets related to NRL-1 in the designated territory. Our Group agreed to pay up to US$0.6 per unit of NRL-1 imported into or sold in the designated territories, and 9.0% on net sales of NRL-1 sold by our Group in the designated territories. RMB352,000 of royalty expenses was accrued during FY2023, and RMB2,699,000 of royalty expenses was accrued during FY2024.

VAXIMM AG ("VAXIMM")

On 19 September 2018, our Group entered into a licence and collaboration agreement with VAXIMM to gain exclusive, perpetual, transferable, sub-licensable rights to develop and commercialise VXM01 and related products in the Asia Pacific territory. The payment structure under the agreement consisted of two components, in terms of fixed-sum milestone payments as well as annual royalties calculated based on a fixed percentage of net sales in relation to the relevant licenses for the products. There are two types of milestone payments in the agreement. The first type is based on the occurrence of regulatory milestones such as the grant of imported drug licenses for VXM01 and related products in the Asia Pacific territory, while the second type is based on the achievement of

stipulated net sales targets. Such payment structure and consideration were mutually agreed upon on the basis of commercial negotiation, taking reference from similar transactions in the market and the arrangements in our previous transactions. No payments were made during FY2022, FY2023 and FY2024 as commercialisation has not yet occurred.

Biodexa Pharmaceuticals PLC (formerly known as Midatech Pharma PLC)

On 29 January 2019, our Group entered into an agreement with Biodexa to acquire exclusive rights to develop and commercialise products including MTD201 and MTX110. The payment structure under the agreement consisted of two components, in terms of fixed-sum milestone payments as well as annual royalties calculated based on a fixed percentage of net sales in relation to the relevant licenses for the products. There are two types of milestone payments in the agreement. The first type is based on the occurrence of regulatory milestones such as the successful registration of MTD201 and MTX110 in the applicable markets, while the second type is based on the achievement of stipulated net sales targets. Such payment structure and consideration were mutually agreed upon on the basis of commercial negotiation, taking reference from similar transactions in the market and the arrangements in our previous transactions. No payments were made during FY2022, FY2023 and FY2024 as the products are not yet commercialised.

Destiny Pharma

During the year ended 31 December 2017, our Group entered into an agreement with Destiny Pharma to acquire exclusive sub-licensable rights to develop and commercialise XF-73 in the Asia Pacific territory. The payment structure under the agreement consisted of only a once-off milestone payment of the stipulated amount to be paid to Destiny Pharma once the annual net sales of XF-73 exceed US$500 million. Such payment structure and consideration were mutually agreed upon on the basis of commercial negotiation, taking reference from similar transactions in the market and the arrangements in our previous transactions. No payments were made during FY2022, FY2023 and FY2024 as the product is not yet commercialised.

The table below sets out the compensation of key management personnel of our Group (which constitutes related party transactions pursuant to the applicable accounting standards adopted by our Company) for FY2022, FY2023 and FY2024 (as disclosed in our Company's annual reports for the respective financial years) and for the period from 1 January 2025 to the Latest Practicable Date (based on the relevant announcements and circulars published by our Company for the relevant period):

	FY2022 (RMB'000)	**FY2023 (RMB'000)**	**FY2024 (RMB'000)**	**1 January to the Latest Practicable Date (RMB'000)**
Fees	1,848	1,938	1,980	-

Salaries and other benefits	12,723	13,770	15,104	-
Contributions to retirement benefit schemes	164	171	160	-
Total compensation paid to key management personnel	**14,735**	**15,879**	**17,244**	-

Please refer to the section entitled "*Management and Corporate Governance – Compensation of Directors and Executive Officers – Directors' Remuneration*" of this Introductory Document for further details of our Directors' remuneration.

DIRECTORS' INTERESTS IN COMPETING BUSINESS AND POTENTIAL CONFLICTS OF INTERESTS

During each of FY2022, FY2023 and FY2024, and the period between 1 January 2025 up to the Latest Practicable Date, none of our Directors has any interest in business which competes or may compete, directly or indirectly, with the business of our Group, or have or may have any other conflicts of interest with our Group.

Our Company entered into a deed of non-compete undertaking with Mr. Lam Kong and his wholly owned company registered in the British Virgin Islands, namely Treasure Sea Limited ("**Treasure Sea**") on 14 September 2010 (the "**Deed of Non-compete**"). Pursuant to the Deed of Non-compete, Mr. Lam Kong and Treasure Sea have jointly undertaken to our Company that, other than through our Group and subject to the exceptions outlined in the Deed of Non-compete, they (including through any of his or its associates[22]) will not, whether directly or indirectly, carry on, engage, invest, participate or otherwise be interested in any business which competes or is likely to compete with any of the existing and/or future businesses carried on by any member of our Group in relation to the marketing, promotion and sale of in-licensed pharmaceutical products in the PRC.

The exceptions outlined in the Deed of Non-compete are as follows:

- Mr. Lam Kong and Treasure Sea Limited (the "**Controlling Shareholders**") may carry on, engage, invest, participate or otherwise be interested in any business which competes or is likely to compete with any of the existing and/or future business carried on by any member of our Group in relation to the marketing, promotion and sale of in-licensed pharmaceutical products in China (the "**Restricted Business**") where the opportunity to carry on, engage, invest, participate or otherwise be interested in such Restricted Business has first been offered or made available to our Company, and our Company, after review and approval by its Independent Non-Executive Directors or Shareholders as required under relevant laws and regulations, has declined such opportunity, provided that the principal terms by which any of the Controlling Shareholders or any of their respective associate subsequently engages,

[22] The term "associate" used in the Deed of Non-compete has the same meaning as given to such term in the Hong Kong Listing Rules.

invests, participates or otherwise is interested in such Restricted Business are not more favourable in any material aspect than those offered or made available to our Company;

- the Controlling Shareholders can have interests in shares or other securities representing not more than 10% of a company conducting any Restricted Business whose shares are listed on the Hong Kong Stock Exchange or any other stock exchange provided that the Controlling Shareholders are not in a position to control the board of directors of such company and that the Controlling Shareholders are not the single largest shareholder of such company; and

- the Controlling Shareholders can continue to hold their interests in any of those companies in which any of them has an interest as at the date of the non-compete undertaking and as disclosed in our Company's HKSE prospectus dated 15 September 2010, provided that these companies do not expand to carry on the Restricted Business.

Mr. Lam Kong and Treasure Sea have confirmed that they had complied with the relevant clauses of the Deed of Non-compete, and that during the Period under Review, they did not directly or indirectly engage in any business which competes or is likely to compete with any of the businesses carried on by our Group in relation to the marketing, promotion and sale of in-licensed pharmaceutical products in the PRC, and also did not directly or indirectly hold any business interest which competes or is likely to compete with any of the businesses carried on by our Group in relation to the marketing, promotion and sale of in-licensed pharmaceutical products in the PRC.

TAXATION

The following discussion is limited to a general description of certain tax consequences in the jurisdictions described below with respect to ownership of our Shares, based on laws, regulations, guidelines, rulings and decisions in effect as at the Latest Practicable Date. Such laws, regulations, guidelines, rulings and decisions are subject to change, and any change could be retrospective. Such laws, regulations, guidelines, rulings and decisions are also subject to interpretation and the relevant tax authorities or courts could later disagree with the explanations or conclusions set out herein. The discussion below does not purport to be comprehensive or exhaustive, and does not constitute legal or tax advice.

Prospective investors should consult their own professional advisers regarding the tax consequences of purchasing, owning and disposing of our Shares. Neither our Company, our Directors nor any other person involved in the Introduction accepts responsibility for any tax effects or liabilities resulting from the purchase, ownership or disposition of our Shares.

CAYMAN ISLANDS TAXATION

We are incorporated in the Cayman Islands. Pursuant to section 6 of the Cayman Islands Tax Concessions Act, our Company has obtained an undertaking from the Governor-in-Cabinet that:

(j) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to our Company or its operations; and

(k) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by our Company:

  (i) on or in respect of the shares, debentures or other obligations of our Company; or

  (ii) by way of the withholding in whole or in part of any relevant payment as defined in the Cayman Islands Tax Concessions Act.

The undertaking for our Company is for a period of 20 years from 2 January 2007.

The Cayman Islands currently has no form of income, corporate or capital gains tax and no estate duty, inheritance tax or gift tax. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or, after execution, brought within the jurisdiction of the Cayman Islands. The Cayman Islands is not party to any double tax treaties that are applicable to any payments made to or by our Company. There are no exchange control regulations or currency restrictions in the Cayman Islands.

SINGAPORE TAXATION

The following discussion is a summary of Singapore income tax, stamp duty, estate duty and GST considerations relevant to the acquisition, ownership and disposition of our Shares. The statements made herein regarding taxation are general in nature and based upon certain aspects of the current tax laws of Singapore and administrative guidelines issued by the relevant authorities in force as of the date hereof and are subject to any changes in such laws or administrative guidelines or the interpretation of such laws or guidelines occurring after such date, which changes could be made on a retrospective basis. The statements made herein do not purport to be a comprehensive or exhaustive description of all of the tax considerations that may be relevant to a decision to acquire, own or dispose of our Shares and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rules. The statements below are based on the assumption that our company is not tax resident in Singapore. Prospective

shareholders are advised to consult their own tax advisers as to the Singapore or other tax consequences of the acquisition, ownership of or disposal of our Shares, taking into account their own particular circumstances. It is emphasised that neither we nor any other persons involved in this Introductory Document accept responsibility for any tax effects or liabilities resulting from the acquisition, holding or disposal of our Shares.

Corporate Income Tax

Corporate taxpayers are subject to Singapore income tax on income accruing in or derived from Singapore and foreign-sourced income received or deemed to be received in Singapore from outside Singapore, unless specifically exempted from tax.

The prevailing corporate income tax rate in Singapore is 17.0%.

With effect from Year of Assessment ("**YA**") 2020, the first S$200,000 of a company's normal chargeable income is exempt from tax as follows:

(a) 75.0% of the first S$10,000 of normal chargeable income; and

(b) 50.0% of the next S$190,000 of normal chargeable income.

Notwithstanding the above, for qualifying private companies, 75.0% of the first S$100,000 of normal chargeable income and 50.0% of the next S$100,000 of normal chargeable income is exempted from tax, subject to meeting the relevant conditions.

The remaining chargeable income (after deducting the applicable tax exemption on the first S$200,000 of normal chargeable income) will be taxed at the prevailing corporate tax rate, currently at 17.0%, unless any concessionary tax rates apply.

For YA 2025, a corporate income tax rebate of 50.0% of the corporate income tax payable will be granted to all corporate taxpayers, whether tax resident in Singapore or not. Active companies that have employed at least one local employee in 2024 will also receive a minimum benefit of S$2,000 in the form of a corporate income tax rebate cash grant ("**CIT Rebate Cash Grant**"). The maximum total benefits of the corporate income tax rebate and the CIT Rebate Cash Grant that a company may receive is S$40,000.

A company is regarded as tax resident in Singapore if the control and management of the company's business is exercised in Singapore. "Control and management" refers to the making of decisions on strategic matters, such as those on company policy and strategy. Typically, the location of the company's board of directors' meetings, during which strategic decisions are made, is a key factor in determining where the control and management is exercised. However, under certain scenarios, holding board meetings in Singapore may not be sufficient and other factors will be considered to determine if the control and management of the business is indeed exercised in Singapore,

Presently, tax exemption will be granted to a Singapore tax resident corporate taxpayer on its foreign-sourced dividends, foreign branch profits and foreign-sourced service income ("**specified foreign income**") received or deemed to be received in Singapore, subject to meeting the following qualifying conditions:

(a) the specified foreign income has been subject to income tax in the foreign jurisdiction from which the income is received;

(b) at the time the specified foreign income is received in Singapore, the headline tax rate (i.e. highest corporate income tax rate) of the foreign jurisdiction from which the income is received is at least 15.0%; and

(c) the Comptroller of Income Tax (the "**Comptroller**") is satisfied that the tax exemption would be beneficial to the Singapore tax resident corporate taxpayer.

Pursuant to a tax concession granted with effect from 30 July 2004, the above foreign-source income exemption has been extended to include specified foreign income which is exempted from income tax in the foreign jurisdiction as a result of a tax incentive granted by that foreign jurisdiction for carrying out substantive business activities in that foreign jurisdiction.

If foreign-source income is subject to tax in Singapore and does not qualify for tax exemption, a Singapore tax resident corporate taxpayer is entitled to claim foreign tax credit ("**FTC**") for the foreign tax paid on such foreign income, subject to meeting the relevant conditions. The amount of foreign tax credit available to a Singapore tax resident corporate taxpayer is based on the lower of:

(a) the Singapore tax attributable to the particular source of income which qualifies for foreign tax credit; or

(b) the actual foreign tax suffered on the same income.

Under the FTC pooling system, Singapore tax resident companies may elect to claim FTC on a pooled basis on any items of its foreign-sourced income, rather than the usual source-by-source and country-by-country basis, subject to meeting the relevant conditions as follows:

(a) income tax must have been paid on the income in the foreign jurisdiction from which the income is derived;

(b) at the time the foreign-sourced income is received in Singapore, the headline tax rate of that foreign jurisdiction from which the income is received is at least 15.0%;

(c) there must be Singapore income tax payable on the foreign-sourced income; and

(d) the taxpayer is entitled to claim foreign tax credits under sections 50, 50A or 50B of the Income Tax Act 1947 of Singapore ("**SITA**") on its foreign-sourced income.

The amount of foreign tax credit to be granted under the FTC pooling system is based on the lower of the total Singapore tax attributable to the pooled foreign income (net of expenses) and the pooled foreign taxes paid on those income.

Individual Income Tax

An individual taxpayer (both tax resident and non-tax resident of Singapore) is subject to Singapore income tax on income accruing in or derived from Singapore, subject to certain exceptions. Foreign-sourced income received or deemed received in Singapore by an individual taxpayer is generally exempt from income tax in Singapore, except for such income received through a partnership in Singapore by Singapore tax resident individuals.

An individual is regarded as a tax resident in Singapore in a YA if, in the preceding calendar year, he was physically present in Singapore or exercised an employment in Singapore (other than as a director of a company) for 183 days or more, or if he ordinarily resides in Singapore.

A Singapore tax resident individual is subject to tax at the progressive rates, ranging from 0% to 24.0%, after deductions of qualifying personal reliefs where applicable. For YA 2025, a personal income tax rebate of 60.0% of tax payable (capped at S$200) will be granted to all Singapore tax resident individuals.

A non-Singapore tax resident individual is generally taxed at the rate of 24.0% except for Singapore-sourced employment income which is taxed at either a flat rate of 15.0% (without deductions for

personal relief), or at the progressive rates as a tax resident (with deductions for personal relief), whichever yields a higher tax.

Dividend Distributions

Singapore does not impose withholding tax on dividend payment.

As our Company is incorporated in the Cayman Islands and on the assumption that our Company is not tax resident in Singapore, dividends paid by our Company would generally be considered as foreign-sourced income (unless our Shares are held as part of a trade or business carried on in Singapore in which event such holders of our Shares may be taxed on the dividends are they are derived).

Dividends paid by our Company will be exempt from Singapore income tax when received by an individual investor regardless of whether the individual investor is resident or non-resident of Singapore, except for such income received through a partnership in Singapore by Singapore tax resident individual investors.

Dividends paid by our Company and received in Singapore by a Singapore corporate investor will be subject to Singapore income tax unless an exemption applies to the foreign-sourced dividend income received in Singapore.

Shareholders or investors are advised to consult their own tax advisors in respect of the tax laws of their respective countries of residence which are applicable on such dividends received by them and the applicability of any double taxation agreement.

Capital Gains Tax

Singapore currently does not impose tax on capital gains. Any gains from the disposal of our Shares, if regarded as capital gains, are not taxable in Singapore.

There are no specific laws or regulations which deal with the characterisation of whether a gain is income or capital in nature. Gains from the disposal of our Shares are taxable in Singapore if the seller is regarded as having derived gains of an income nature in Singapore. Gains arising from the disposal of our Shares which are derived from any trade, business, vocation or profession carried on by that person, if accruing in or derived from Singapore, are taxable as such gains are considered revenue in nature. Gains derived from the disposal of our Shares may also be taxable if they constitute any gains or profits of an income nature under section 10(1)(g) of the SITA.

Section 13W of the SITA provides a safe harbour in the form of an exemption of gains or profits arising from the disposal of ordinary shares for disposals made up to 31 December 2027. To qualify for the tax exemption, the divesting company must have legally and beneficially held at least 20.0% of the ordinary shares of the company whose shares are being disposed (the "**investee company**") for a continuous period of at least 24 months immediately prior to the date of disposal of such shares.

The above-mentioned “safe harbour rule” is not applicable under the following scenarios:

- The disposal of shares during the period from 1 June 2012 to 31 May 2022 of an unlisted investee company which is in the business of trading or holding Singapore immovable properties (other than the business of property development).

- The disposals of shares from 1 June 2022 of an unlisted investee company which is in the business of trading, holding or developing immovable properties in Singapore or abroad, subject to certain exceptions.

- The disposal of shares by a divesting company in the insurance business industry (as referred to under section 26 of the SITA).

- The disposal of shares by a partnership, limited partnership or limited liability partnership where one (1) or more of the partners is a company or are companies.

It was announced in the Singapore Budget 2025 that the sunset date of 31 December 2027 will be removed. In addition, the following enhancements will be made for disposal gains derived on or after 1 January 2026: (a) the scope of eligible gains will be expanded to include gains from the disposal of preference shares that are accounted for as equity by the investee company under the applicable accounting principles; and (b) the assessment of the shareholding threshold condition can be done on a group basis. The Inland Revenue Authority of Singapore will provide further details on this by 3Q 2025.

Shareholders who have adopted or are required to adopt Financial Reporting Standard 109 *Financial Instruments* (FRS 109) or Singapore Financial Reporting Standard (International) 9 *Financial Instruments* (as the case may be) for financial reporting purposes may for Singapore income tax purposes, be required to recognise gains or losses (not being gains or losses that are capital in nature) on our Shares, irrespective of whether there is actual disposal. If so, the gains or losses so recognised may be taxed or allowed as a deduction even though they are unrealised.

Further, Section 10L of the SITA implements an income tax on gains received in Singapore from the sale or disposal occurring on or after 1 January 2024 by an entity of a relevant group of any foreign asset (i.e. any movable or immovable property situated outside Singapore at the time of such sale or disposal or any rights or interest thereof). Under this section, our Shares would likely be considered as "foreign assets" if they are registered in a register which is a principal register that is situated outside Singapore.

Broadly, a seller entity would be a member of a "relevant group" if (i) its assets, liabilities, income, expenses and cash flows (a) are included in the consolidated financial statements of the parent entity of the group, or (b) are excluded from the consolidated financial statements of the parent entity of the group solely on size or materiality grounds or on the grounds that the entity is held for sale, and (ii) the entities of the group are not all incorporated in a single jurisdiction or any entity of the group has a place of business in more than one jurisdiction.

There are certain exclusions in this regard. The taxation of such gains would not apply to a sale or disposal that is:

(a) carried out as part of, or incidental to, the business of a "prescribed financial institution", which includes licensed banks, finance companies and holders of a capital markets services licence;

(b) carried out as part of, or incidental to, the relevant business activities or operations of an entity enjoying certain tax incentives, such as the financial sector incentive; or

(c) carried out by an excluded entity that has adequate economic substance in Singapore (as defined and provided for under section 10L of the SITA).

Shareholders should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their ownership and disposal of our Shares.

Stamp Duty

There is no stamp duty payable on the subscription for, allotment or holding of our Shares.

Under Singapore law, stamp duty is generally payable on the instrument of transfer of our Shares at the rate of 0.2%, computed on the consideration paid for or market value of the ordinary shares, whichever is higher.

The purchaser is liable for stamp duty, unless there is an agreement to the contrary.

No stamp duty is payable if no dutiable document (whether physical or electronic, such as in the case of scripless shares, the transfer of which do not require instruments of transfer to be executed) is executed or the instrument of transfer is executed outside Singapore. However, stamp duty may be payable if the dutiable document which is executed outside Singapore is subsequently received in Singapore. Electronic instruments that are executed outside Singapore are treated as received in Singapore in any of the following scenarios: (a) it is retrieved or accessed by a person in Singapore; (b) an electronic copy of it is stored on a device (including a computer) and brought into Singapore; or (c) an electronic copy of it is stored on a computer in Singapore.

Stamp duty is not applicable to electronic transfers of our Shares through the scripless trading system operated by CDP, i.e. no instrument of transfer is executed for the transfer.

Estate Duty

Singapore estate duty had been abolished with effect from 15 February 2008.

GST

The sale of our Shares by a GST-registered investor belonging in Singapore through an SGX-ST member to another person belonging in Singapore is an exempt supply, which is not subject to GST. Any input GST incurred by the GST-registered investor in connection with the making of such an exempt supply is generally not recoverable from the Comptroller of GST and will become an additional cost to the investor unless the investor satisfies certain conditions prescribed under the GST legislation or by the Comptroller of GST.

Where our Shares are sold by a GST-registered investor to a person who belongs outside Singapore, and for the direct benefit of either a person belonging outside Singapore (and that person is outside Singapore at the time of supply) or a GST-registered person who belongs in Singapore, the sale is a taxable supply subject to GST at zero-rate (i.e. GST at 0%). Any input GST incurred by the GST-registered investor in the making of such a zero-rated supply, subject to the provisions of the GST legislation, may be recovered from the Comptroller of GST.

Services consisting of arranging, broking, underwriting or advising on the issue, allotment or transfer of ownership of our Shares rendered by a GST-registered person to an investor belonging in Singapore for GST purposes in connection with the investor's purchase, sale or holding of our Shares will be subject to GST at the prevailing standard rate of 9.0%. Similar services contractually rendered by a GST-registered person to an investor belonging outside Singapore, and for the direct benefit of either a person belonging outside Singapore (and that person is outside Singapore at the time of supply) or a GST-registered person who belongs in Singapore should generally be subject to GST at zero-rate.

Investors should seek their own tax advice on the recoverability of GST incurred on expenses in connection with the purchase and sale of our Shares.

Tax Treaties Regarding Withholding Taxes

There is currently no comprehensive avoidance of double taxation agreement between the Cayman Islands and Singapore which applies to withholding taxes on dividends or capital gains.

PRC TAXATION

Generally, our PRC subsidiaries are subject to enterprise income tax on their taxable income in China at a statutory rate of 25%, except for certain of our PRC subsidiaries that qualify as high and new technology enterprises or are entitled to preferential taxation under local policies and are therefore eligible for a preferential enterprise income tax rate of 15%/9%. The enterprise income tax is calculated based on the entity's global income as determined under PRC tax laws and accounting standards.

Our products and services are primarily subject to VAT at a rate of 1%/3%/6%/13%, less any deductible VAT we have already paid or borne. We are also subject to surcharges on VAT payments in accordance with PRC law.

Dividends paid by our PRC subsidiaries in China to our Hong Kong (China) subsidiaries will be subject to a withholding tax rate of 10%, unless the relevant Hong Kong (China) entity satisfies all the requirements under the Double Taxation Avoidance Arrangement and receives approval from the relevant tax authority. If our Hong Kong (China) subsidiaries satisfy all the requirements under the tax arrangement and receive approval from the relevant tax authority, then the dividends paid to the Hong Kong (China) subsidiaries would be subject to withholding tax at the preferential rate of 5%. Effective from 1 November 2015, the above-mentioned approval requirement has been abolished, but a Hong Kong (China) entity is still required to file application package with the relevant tax authority, and settle the overdue taxes if the preferential 5% tax rate is denied based on the subsequent review of the application package by the relevant tax authority. The Fifth Protocol of the Double Taxation Avoidance Arrangement states that treaty benefits shall not apply to arrangements or transactions made primarily for the purpose of obtaining such tax benefits. Exceptions are made when such benefits align with the Arrangement's relevant objectives and goals.

If we or any of our subsidiaries outside of China were deemed to be a "resident enterprise" under the EIT Law, it would be subject to enterprise income tax on its worldwide income at a rate of 25%.

Under the EIT Law, and relevant PRC policies, a PRC manufacturing enterprise, whose qualified research and development expenses have not resulted in the creation of intangible assets, can enjoy an additional 100% deduction of the qualified research and development expenses from 1 January 2021, and a PRC enterprise recognised as a technology-based small and mid-size enterprise can enjoy an additional 100% deduction of the qualified research and development expenses from 1 January 2022. Further, for a PRC manufacturing enterprise of which the qualified research and development expenses have formed intangible assets, the tax amortization is based on 200% of the costs of the intangible assets from 1 January 2021; for a PRC enterprise recognised as a technology-based small and mid-size enterprise of which the qualified research and development expenses have formed intangible assets, the tax amortization is based on 200% of the costs of the intangible assets from 1 January 2022.

HONG KONG (CHINA) TAXATION

Stamp Duty

Dealings in the Shares registered on our Hong Kong branch register will be subject to Hong Kong stamp duty. The current rate of stamp duty in Hong Kong for transfer of Hong Kong stock is 0.1% on the higher of the consideration for and the market value of the Shares, and it is charged on the purchaser on every purchase and on the seller on every sale of the Shares. In other words, a total stamp duty of 0.2% is currently payable on a typical sale and purchase transaction involving the Shares. In addition, a fixed duty of HK$5.00 is charged on each instrument of transfer (if required).

Tax on Dividends

No tax is payable in Hong Kong in respect of dividends paid by us, although foreign-sourced dividends on our Shares received in Hong Kong by a multinational enterprise entity carrying on a trade, profession or business in Hong Kong which does not satisfy the economic substance requirement may, subject to certain other exceptions, be taxable in Hong Kong. Any relevant entity should consult their own tax adviser. Nonetheless, foreign-sourced dividends on the Shares received by natural persons would not be taxable in Hong Kong.

Capital Gains and Profits Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of our Shares. Trading gains from the sale of Shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are arising in or derived from Hong Kong, will be chargeable to Hong Kong profits tax. In addition, non-Hong Kong sourced capital gains received in Hong Kong by a multinational enterprise entity carrying on a trade, profession or business in Hong Kong but not satisfying the economic substance requirement may, subject to certain other exceptions, be chargeable to Hong Kong profits tax. Nonetheless, foreign-sourced capital gains received by natural persons would not be taxable in Hong Kong. Currently, profits tax is imposed on corporations at the rates of 8.25% on assessable profits up to HK$2,000,000 and 16.5% on any part of assessable profits over HK$2,000,000, and on unincorporated entities and individuals at the rates of 7.5% on assessable profits up to HK$2,000,000 and 15.0% on any part of assessable profits over HK$2,000,000. Gains from sales of our Shares effected on the HKSE will be considered to be sourced in Hong Kong.

CLEARANCE AND SETTLEMENT

A letter of eligibility has been obtained from the SGX-ST for the listing and quotation of our Shares. For the purpose of trading on the SGX-ST, a board lot of our Shares will comprise 100 Shares.

Upon listing and quotation on the SGX-ST, our Shares will be traded on the HKSE and the SGX-ST. The principal register of members will be maintained in the Cayman Islands (the "**Principal Share Register**"). Our Company has established the Hong Kong Share Register (the "**Hong Kong Share Register**"), being a branch register of members in Hong Kong which is maintained by Computershare Hong Kong Investor Services Limited whose address is Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Further, our Company has established a branch register of members in Singapore (the "**Singapore Branch Share Register**") which is maintained by the Singapore Share Transfer Agent, In.Corp Corporate Services Pte. Ltd., whose address is 36 Robinson Road, #20-01 City House, Singapore 068877. The Principal Share Registrar will keep in the Cayman Islands duplicates of the Hong Kong Share Register and the Singapore Branch Share Register, which will be updated from time to time.

CLEARANCE, TRADING AND SETTLEMENT OF SHARES ON THE SGX-ST

Upon listing and quotation of the Shares on the SGX-ST, Shares that are traded on the SGX-ST will be cleared and settled under the book-entry settlement system of CDP, and all dealings in and transactions of the Shares through the SGX-ST will be effected in accordance with the terms and conditions for the operation of Securities Accounts with CDP, and the terms and conditions for CDP to act as depository for foreign securities as amended from time to time.

CDP, a wholly-owned subsidiary of Singapore Exchange Limited, is incorporated under the laws of Singapore and acts as a depository and clearing organisation. CDP holds securities for its accountholders and facilitates the clearance and settlement of securities transactions between accountholders through electronic book-entry changes in the Securities Accounts maintained by such accountholders with CDP. An investor may open a direct account with CDP or a sub-account with any CDP Depository Agent. A CDP Depository Agent may be a member company of the SGX-ST, bank, merchant bank or trust company.

The Shares that are traded on the SGX-ST will be shares registered on the Singapore Branch Share Register in the name of CDP or its nominee and held by CDP for and on behalf of persons who maintain, either directly or through Depository Agents, Securities Accounts with CDP. The law of domicile of our Company, namely, the Cayman Islands, only recognises the registered holders of the Shares as its members. Accordingly, depositors and Depository Agents will not be treated under the Articles of Association and the Cayman Islands Companies Act as members of our Company in respect of the number of Shares credited to their respective Securities Accounts and may not be accorded the full rights of membership, such as voting rights, the right to appoint proxies, or the right to receive shareholders' circulars, proxy forms, annual reports and prospectuses. In such an event, depositors and Depository Agents will be accorded only such rights as CDP may make available to them pursuant to CDP's terms and conditions to act as depository for foreign securities.

Dealings in the Shares will be carried out on the SGX-ST in Singapore dollars and will be effected for settlement in CDP on a scripless basis. Settlement of trades executed on the SGX-ST will take place on the second Market Day after the trade date. When a seller does not have sufficient Shares in the account for settlement by the start of the final settlement run at 1:30 pm on the second Market Day after the trade day, CDP will conduct buy-in on that afternoon (unless the intended settlement date of the trades executed on the SGX securities market falls on a day with half day trading, buying-in will be conducted only for a day on the next business day). Securities bought in successfully will be used to fulfil the seller's delivery obligation on the next business day.

Shareholders are responsible for ensuring the Shares are credited into their Securities Account maintained with CDP or securities sub-account with a Depository Agent, as the case may be, in time for the settlement of trades on the SGX-ST, as buying-in may be instituted against the relevant clearing member of the CDP if the Shares are not available in the balance of the Securities Accounts or securities sub-accounts of Shareholders for settlement pursuant to their trades.

CLEARING FEES IN RESPECT OF TRADING ON THE SGX-ST

A clearing fee for the trading of our Shares on the SGX-ST is payable at the rate of 0.0325% of the transaction value. The clearing fees, instruments of transfer deposit fees and share withdrawal fees may be subject to GST at the prevailing rate of 9.0% (or such other rate prevailing from time to time).

VOTING INSTRUCTIONS

Investors who trade Shares listed on the SGX-ST would hold their Shares through the CDP system. Investors holding Shares through the CDP system may only exercise the voting rights for the deposited Shares through the CDP system and in accordance with the terms and conditions for the operation of Securities Accounts with CDP, and the terms and conditions for CDP to act as depository for foreign securities as amended from time to time.

Under the Cayman Islands law, every other person who has agreed to become a member of a Cayman Islands company and whose name is entered on the register of members of such company is considered a member. Under the Cayman law, the register of members is *prima facie* evidence of any matters by the Cayman Islands Companies Act directed or authorised to be inserted therein. Accordingly, a CDP Depositor holding Shares through CDP would not be recognised as our Shareholder under the laws of the Cayman Islands and does not have the right to attend and vote at the general meetings of our Company. Our Company, through our Singapore Share Transfer Agent, will send notices of Shareholders' meetings to CDP Depositors by post. In the event that CDP Depositors wish to attend and vote at general meetings of our Company, CDP will have to appoint them as proxies, pursuant to our Articles of Association and the Cayman Islands Companies Act.

Provided that CDP has appointed the relevant CDP Depositors as proxies, in accordance with Article 14.8 of our Articles of Association, the appointed CDP Depositors can attend and vote at the general meetings of our Company. At any general meeting, CDP, as a clearing house, may appoint more than one (1) proxy in accordance with Article 14.15 of our Articles of Association. Pursuant to Article 14.15 of our Articles of Association, provided CDP is a member of our Company, it may authorise such persons as it thinks fit to act as its representatives at any meeting of our Company provided that, if more than one (1) person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised under our Articles of Association shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the CDP as if such person were an individual member of our Company holding the number and class of shares specified in such authorisation.

TRADING AND SETTLEMENT OF SHARES ON THE HKSE

Settlement of transactions between CCASS Participants is required to take place in CCASS on the second Hong Kong business day after the relevant trading day. All activities under CCASS are subject to the CCASS Rules in effect from time to time. Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests.

Investors in Hong Kong must settle their trades executed on the HKSE through their brokers directly or through custodians. For an investor in Hong Kong who has deposited his Shares in his designated

CCASS Participant's stock account maintained with CCASS, settlement will be effected by CCASS in accordance with the CCASS Rules.

TRANSACTION COSTS OF DEALING IN SHARES LISTED ON THE HKSE

The transaction costs of dealings in our Shares on the HKSE include:

- HKSE trading fee of 0.00565% of the consideration of the transaction, charged to each of the buyer and seller and rounded to the nearest cent;
- SFC transaction levy of 0.0027% of the consideration of the transaction, charged to each of the buyer and seller;
- AFRC's transaction levy of 0.00015% of the consideration of the transaction, charged to each of the buyer and seller;
- Transfer deed stamp duty of HK$5.00 per transfer deed (if applicable), payable by the seller;
- Stamp duty at a total rate of 0.2% of the higher of the consideration for and the market value of the Shares, with 0.1% payable by each of the buyer and the seller;
- Brokerage commission, which is freely negotiable with the broker (other than brokerage commissions for initial public offering transactions, which are currently set at 1% of the subscription or purchase price and will be payable by the person subscribing for or purchasing the securities) and the applicable stock settlement fee; and
- Transfer fee, in which the Hong Kong Branch Share Registrar and Transfer Office will charge (at the rate of HK$2.50 per certificate issued or cancelled) the higher of (i) the number of certificates to be issued; or (ii) the number of certificates to be cancelled, for each transfer of ordinary shares from one registered owner to another, each share certificate cancelled or issued by it and any applicable fee as stated in the share transfer forms used in Hong Kong.

MOVEMENT OF SHARES BETWEEN HONG KONG AND SINGAPORE

Through the movement mechanisms discussed below, it is possible for investors to purchase Shares on the SGX-ST and sell them on the HKSE and *vice versa*. All of the linked movements between CDP and CCASS are effected only on a free-of-payment basis (that is, there is no related cash movement parallel to the securities movement, and any related cash transfers may only be effected outside CDP and CCASS directly between the buyer and seller through their own arrangements).

Investors should be aware that while there is no time difference between the Singapore and Hong Kong markets, the HKSE has shorter trading hours than the SGX-ST. The trading hours on the SGX-ST are from 9.00 a.m. to 12.00 p.m. and 1.00 p.m. and 5.00 p.m. on a Market Day, and the trading hours on the HKSE are from 9.30 a.m. to 12.00 p.m. and 1.00 p.m. to 4.00 p.m. on a trading day in Hong Kong.

Transfer of Shares from Hong Kong to Singapore

Shareholders should note that only Shares which are registered on the Singapore Branch Share Register and deposited with CDP are valid for settlement of trades done on the SGX-ST. Therefore, Shareholders who currently hold their Shares on the Hong Kong Share Register and wish to trade on the SGX-ST must effect a removal of the Shares from the Hong Kong Share Register to the Singapore Branch Share Register and must procure the deposit of the Shares with CDP. In this regard, the investor should ensure that (i) he has a Securities Account in his own name with CDP or a securities sub-account with a Depository Agent and (ii) the Shares are credited to his Securities Account or securities sub-account before dealing in the Shares.

Under normal circumstances, the removal and deposit of the Shares generally require 15 business days to complete (excluding posting time, and the time taken to withdraw Shares deposited with CCASS in Step 2 below), and would involve the following procedures:

1. If the investor's Shares are registered in the investor's own name, the investor shall complete a combined removal and transfer form available from the Hong Kong Branch Share Registrar and submit the same together with the share certificate(s) in his name to the Hong Kong Branch Share Registrar.

2. If the investor's Shares have been deposited with CCASS, the investor must first withdraw the said Shares from his investor participant stock account with CCASS or from the stock account of a CCASS Participant and submit the relevant share transfer form(s) executed by HKSCC Nominees (for re-registration in his own name), the relevant share certificate(s) and a duly completed combined removal and transfer form to the Hong Kong Branch Share Registrar. The investor must also arrange for stamp duty clearance with the Hong Kong Stamp Office.

3. Upon receipt of the combined removal and transfer form, the relevant share certificate(s) and where appropriate, the completed share transfer form(s) executed by HKSCC Nominees, the Hong Kong Branch Share Registrar shall take all actions necessary to effect the removal and the transfer of the Shares from the Hong Kong Share Register to the Singapore Branch Share Register.

4. The Hong Kong Branch Share Registrar shall then notify the Singapore Share Transfer Agent of the removal whereupon the Singapore Share Transfer Agent will update the Singapore Branch Share Register, and will issue share certificate(s) in the name of the investor or CDP, as the case may be, and deliver the Share certificate(s) to the investor or CDP. Upon receipt of the relevant documents and prescribed payment from the Singapore Share Transfer Agent, CDP shall credit the specified number of Shares into the investor's securities account or sub-account with a CDP Depository Agent. The investor should ensure that the Shares are credited to his securities account or sub-account with a CDP Depository Agent before dealing in our Shares.

Shareholders requesting removals of Shares from the Hong Kong Share Register to the Singapore Branch Share Register are required to pay the fees and charges set out below and the following must accompany the removal forms:-

(a) a cheque or bank draft in Hong Kong dollars made payable to **COMPUTERSHARE HONG KONG INVESTOR SERVICES LIMITED** for: (i) the total sum of the removal fees (HK$25) for the Shares to be removed from the Hong Kong Share Register (the "**Removed Shares**") and HK$2.50 for each share certificate rendered for cancellation on the Hong Kong Share Register (under Standard Service) or (ii) the total sum of the higher of 0.05% of market value (based on the closing price of our Company's Shares in Hong Kong on the preceding day when Hong Kong Branch Share Registrar receives instructions from the shareholder) or HK$20.00 for each share certificate rendered for cancellation on the Hong Kong Share Register under Express Service. The availability of the Express Service is subject to the discretion of the Hong Kong Branch Share Registrar and is not available during peak operation seasons of the Hong Kong Branch Share Registrar. Please refer to the latest combined removal and transfer form or contact the Hong Kong Branch Share Registrar for the latest fees and charges; and

(b) bank drafts in Singapore Dollars (inclusive of Singapore prevailing 9% GST (or such other rate prevailing from time to time)) made payable to:-

    (i) **IN.CORP CORPORATE SERVICES PTE. LTD.** for the sum of S$10.00 (S$10.90 inclusive of Singapore prevailing 9% GST) as payment for CDP deposit fee or such

other amount required by CDP; and

(ii) **IN.CORP CORPORATE SERVICES PTE. LTD.** for the sum of S$32.00 (S$34.88 inclusive of Singapore prevailing 9% GST) comprising S$2.00 (S$2.18 inclusive of Singapore prevailing 9% GST) for each share certificate to be issued on the Singapore Branch Share Register and S$30.00 (S$32.70 inclusive of Singapore prevailing 9% GST) each removal to be effected.

Transfer of Shares from Singapore to Hong Kong

Shareholders should note that for the purposes of trading on the HKSE, the Shares must be registered on the Hong Kong Share Register and deposited into CCASS for credit to the Shareholder's investor participant stock account or his designated CCASS Participant's stock account. A Shareholder who holds his Shares through CDP and wishes to move his Shares from CDP to CCASS must effect a removal of the Shares from the Singapore Branch Share Register to the Hong Kong Share Register, and can do so in the following manner:

1. If the investor's Shares have been deposited with CDP, the investor must first request or instruct his Depository Agent to request on his behalf withdrawal of his Shares from CDP by completing and signing a Request for Withdrawal of Securities Form ("**Withdrawal Form**") available from CDP and submitting the same together with the duly completed transfer form pre-signed by the investor(s) as transferee(s) to CDP.

2. The investor shall complete a share removal form for the removal of Shares from the Singapore Branch Share Register to the Hong Kong Share Register obtained from the Singapore Share Transfer Agent and submit the share removal form to the Singapore Share Transfer Agent.

3. CDP will sign as transferor and send the duly completed transfer form together with share certificate(s) registered under the name of CDP to the Singapore Share Transfer Agent directly.

4. Upon receipt of the duly completed transfer form and share certificate(s) from CDP and the share removal form from the investor, the Singapore Share Transfer Agent shall take all actions necessary to effect the transfer and removal of Shares from the Singapore Branch Share Register.

5. The Singapore Share Transfer Agent shall then notify the Hong Kong Branch Share Registrar of the removal whereupon the Hong Kong Branch Share Registrar shall update the Hong Kong Share Register and issue share certificate(s) in the name of the investor and made such share certificate(s) be available for collection by the investor(s) at Hong Kong Branch Share Registrar's office unless other delivery method is requested upon submission of the share removal form and relevant fees will be separately agreed. Despatch of share certificate(s) will be made at the risk and expense of the investor as specified in the share removal form.

6. If the investor's Shares, upon being registered in the Hong Kong Share Register, are to be deposited with CCASS, the investor must deposit the Shares into CCASS for credit to his investor participant stock account or his designated CCASS Participant's stock account. For deposit of Shares into CCASS or to effect a sale of Shares in Hong Kong, the investor should execute a transfer form which is in use in Hong Kong and which can be obtained from the offices of the Hong Kong Branch Share Registrar and deliver it together with his share certificate(s) issued by the Hong Kong Branch Share Registrar to HKSCC Nominees directly if he intends to deposit the Shares into CCASS for credit to his investor participant stock account or via a CCASS Participant if he wants the Shares to be credited to his designated CCASS Participant's stock account.

Under normal circumstances, steps 2 to 5 generally require 15 business days (excluding posting time) to complete. The time taken to deposit Shares into CCASS in Step 6 above may vary, depending on whether the investor arranges for the deposit of his Shares into CCASS directly, or via a CCASS Participant, and may take at least one (1) Hong Kong business day or more.

Shareholders requesting removals of Shares from the Singapore Branch Share Register to the Hong Kong Share Register are required to pay the fees and charges set out below and item (a) must accompany the relevant form:-

(a) bank draft in Singapore Dollars (inclusive of Singapore prevailing 9% Goods and Services Tax (or such other rate prevailing from time to time)) made payable to **IN.CORP CORPORATE SERVICES PTE. LTD.** for the sum of S$32.70 as payment for transfer request fee; and

(b) **(this fee is payable upon collection of the share certificate(s) in respect of the Removed Shares in Hong Kong)** a cheque or bank draft in Hong Kong dollars made payable to **COMPUTERSHARE HONG KONG INVESTOR SERVICES LIMITED** for: (i) the total sum of the removal fees (HK$25) for the Removed Shares and HK$2.50 for each share certificate issued on the Hong Kong Share Register (under Standard Service) or (ii) the total sum of the higher of 0.05% of market value (based on the closing price of our Company's Shares in Hong Kong on the preceding day when the Hong Kong Share Registrar receives instructions from the Singapore Share Transfer Agent) or HK$20.00 for each share certificate issued on the Hong Kong Share Register (under Express Service). The exact fee to be paid under Express Service will be calculated and advised by the Hong Kong Branch Share Registrar. The availability of the Express Service is subject to the discretion of the Hong Kong Branch Share Registrar and is not available during peak operation seasons of the Hong Kong Branch Share Registrar. Please refer to the share removal form or contact the Hong Kong Branch Share Registrar for the latest fees and charges.

WITHDRAWAL OR DEPOSIT OF SHARES FROM OR INTO CDP

Persons holding Shares in a Securities Account with CDP or securities sub-account with a Depository Agent may withdraw any number of Shares they own and obtain physical share certificates by executing a Withdrawal Form and submitting the same, together with the Transfer Form ("**Transfer Form**") pre-signed by the investor(s) as transferee(s) and the withdrawal fee, to CDP. CDP will then sign as transferor and send the duly completed and signed Transfer Form together with share certificate(s) registered under the name of CDP to the Singapore Share Transfer Agent as agent of the Singapore Branch Share Register. Upon receipt of the above documents, the Singapore Share Transfer Agent will effect the transfer of Shares from CDP to the investor(s) and issue physical Singapore share certificates in the name of the investor. Such share certificates will not, however, be valid for delivery pursuant to trades transacted on the SGX-ST, although they will be *prima facie* evidence of title and may be transferred in accordance with the Articles of Association.

Persons holding physical share certificates in their own names and who wish to trade on the SGX-ST must submit to CDP their physical share certificates together with the Request for Deposit of Securities Form for the Deposition of Shares into CDP along with the duly executed Transfer Form in favour of CDP as transferee, to have their respective Securities Accounts or securities sub-accounts credited with the number of Shares before they can effect any trades.

In the absence of unforeseen circumstances, (i) in the case of a deposit of securities into CDP, CDP will credit the securities 12 Market Days or later after the date of lodgement of share certificate(s) with CDP and upon receipt of confirmation from the Singapore Share Transfer Agent that the securities have been registered in the name of CDP or its nominee (as the case may be), and (ii) in the case of a withdrawal of securities into CDP, CDP will debit the securities and lodge with the Singapore Share Transfer Agent the certificates from the securities withdrawn within six (6) Market Days from the date of receipt of the Withdrawal Form to affect the registration of the securities to the transferee.

GENERAL AND STATUTORY INFORMATION

RESPONSIBILITY STATEMENT

1. Our Directors collectively and individually accept full responsibility for the accuracy of the information given in this Introductory Document and confirm after making all reasonable enquiries that to the best of their knowledge and belief, this Introductory Document constitutes full and true disclosure of all material facts about the Introduction, our Company and its subsidiaries, and our Directors are not aware of any facts the omission of which would make any statement in this Introductory Document misleading. Where information in this Introductory Document has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of our Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Introductory Document in its proper form and context.

2. The Issue Manager, CGS International Securities Singapore Pte. Ltd., confirms that to the best of its knowledge and belief, this Introductory Document constitutes full and true disclosure of all material facts about the Introduction, our Company and its subsidiaries, and the Issue Manager is not aware of any facts the omission of which would make any statement in this Introductory Document misleading.

MATERIAL BACKGROUND INFORMATION

3. Except as disclosed below, and in the section entitled "*Risk Factors*" of the Introductory Document, at the date of this Introductory Document, none of our Directors, Executive Officers and Controlling Shareholders has:

   (a) at any time during the last 10 years, had an application or a petition under any bankruptcy laws of any jurisdiction filed against him or her or against a partnership of which he or she was a partner at the time when he or she was a partner or at any time within two (2) years after the date he or she ceased to be a partner;

   (b) at any time during the last 10 years, had an application or a petition under any law of any jurisdiction filed against an entity (not being a partnership) of which he or she was a director or an equivalent person or a key executive, at the time when he or she was a director or an equivalent person or a key executive of that entity or at any time within two (2) years after the date he or she ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency;

   (c) any unsatisfied judgment against him or her;

   (d) ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he or she is aware) for such purpose;

   (e) ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he or she is aware) for such breach;

   (f) at any time during the last 10 years, had judgment entered against him or her in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory

requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his or her part, nor has he or she been the subject of any civil proceedings (including any pending civil proceedings of which he or she is aware) involving an allegation of fraud, misrepresentation or dishonesty on his or her part;

(g) ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust;

(h) ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust;

(i) ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body permanently or temporarily enjoining him or her from engaging in any type of business practice or activity;

(j) ever, to his or her knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of affairs of:

(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere;

(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere;

(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or

(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,

in connection with any matter occurring or arising during the period when he or she was so concerned with the entity or business trust; or

(k) been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the MAS or any other regulatory authority, exchange, professional body or governmental agency, whether in Singapore or elsewhere.

Disclosures relating to our Executive Officer, Mr. James Stearns

Creditors' Voluntary Liquidation of Blueberry Therapeutics Limited

Our Executive Officer, Mr. James Stearns, was previously a non-executive director of Blueberry Therapeutics Limited ("**Blueberry**"). Mr. James Stearns had stepped down as a director of Blueberry on 25 April 2024 and thereafter, Blueberry had moved into creditors' voluntary liquidation on 25 April 2024 with the appointment of Kroll as a voluntary liquidator. Blueberry was a pre-revenue R&D company that was unable to raise the necessary financing to continue its operations and meet its working capital requirements. As a result of this financial shortfall, Blueberry breached its facility agreement with BEXS Capital ("**BEXS**"), leading BEXS to demand repayment of the loan drawdowns under this facility, which ultimately caused

Blueberry's insolvency. Mr. James Stearns had not undertaken any executive roles and responsibilities in Blueberry.

Administration of Destiny Pharma PLC

Our Executive Officer, Mr. James Stearns, is a non-executive director of Destiny Pharma Limited (formerly known as Destiny Pharma PLC) ("**Destiny**") which has appointed Stephen Robert Cork and Mark Smith of Cork Gully LLP as its administrators on 21 August 2024. Destiny had filed for administration due to insufficient working capital to continue clinical trials. Mr. James Stearns had not undertaken any executive roles and responsibilities in Destiny.

Apart from Blueberry and Destiny, Mr. James Stearns is not a director or key executive of any entity, which an application or a petition for the winding up or dissolution of the entity has been filed, at present or at any time within two (2) years from the date that he ceased to be a director or key executive the entity.

CHANGES IN THE SHARE CAPITAL OF OUR COMPANY AND PRINCIPAL SUBSIDIARIES

4. Except as disclosed in the section entitled "*Description of Share Capital – History of Share Capital – Changes in Issued Capital*" of this Introductory Document, there were no changes in the share capital of our Company within the three (3) years immediately preceding the Latest Practicable Date.

5. Except as disclosed "*Description of Share Capital – History of Share Capital – Changes in Issued Capital*" of this Introductory Document, there were no changes in the share capital of our Principal Subsidiaries within the three (3) years immediately preceding the Latest Practicable Date.

RELATIONSHIP WITH THE ISSUE MANAGER

6. In the reasonable opinion of our Directors, the Issue Manager does not have a material relationship with our Company save as disclosed below:

   (a) The Issue Manager and its affiliates are a full-service financial institution engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities.

   (b) The Issue Manager and its affiliates have, from time to time, performed and may in the future perform various financial advisory and investment banking services for our Company, and our affiliates for which they received or will receive customary fees and expenses.

   (c) The Issue Manager may, from time to time, be appointed as placement agent and/or underwriter in connection with subsequent equity fundraising exercises that may be conducted by our Group. Such roles, if any, will not be contingent and inter-conditional on CGS International Securities Singapore Pte. Ltd.'s appointment as Issue Manager. Details of any such equity fundraising will be included in a separate offering document to be issued in connection with such equity fundraising exercise if and when it is undertaken.

   (d) In addition, in the ordinary course of their various business activities, the Issue Manager and its affiliates (or any of them) may make, issue or hold a broad array of investments and enter into secondary market transactions or actively trade debt and equity

securities (including but not limited to equity derivatives, warrants and other structured instruments) and financial instruments (including bank loans) for their own account and for the account of their customers, and such investment and securities activities may involve securities and/or instruments of our Company, or our affiliates.

(e) The Issue Manager and its affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

MATERIAL CONTRACTS

7. There are no contracts (not being contracts entered into in the ordinary course of business) which were entered into by our Company or our subsidiaries within the two (2) years preceding the date of this Introductory Document and are or may be material.

MISCELLANEOUS

8. There has not been any public take-over offer by a third party in respect of our Shares, or by our Company in respect of the shares of another corporation or the units of a business trust, which has occurred between 1 January 2024 and the Latest Practicable Date.

9. No expert is employed on a contingent basis by our Company or any of our subsidiaries, or has a material interest, whether direct or indirect, in the shares of our Company or our subsidiaries, or has a material economic interest, whether direct or indirect, in our Company, including an interest in the success of the Introduction.

10. Except as disclosed in the sections entitled "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*BUSINESS – OUR SPECIALITY THERAPEUTIC FIELDS FOCUSED COMMERCIALISATION PLATFORM – Our Skin Health Business – The Proposed Spin-off Listing of Our Skin Health Business*" of this Introductory Document, we are not aware of any event that has occurred since 1 January 2025 and up to the Latest Practicable Date, that may have a material effect on the financial position and results of our Group.

11. Except as disclosed in the sections entitled "*Risk Factors*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Pharmaceutical Industry and Prospects*", "*Business – Competitive Strengths*", and "*Business – Business Strategies and Future Plans*" of this Introductory Document and barring any unforeseen circumstances, we are not aware of any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material adverse effect on our net sales or revenues, profitability, liquidity or capital resources since 31 December 2024 (being the date to which our latest audited consolidated financial statements were prepared) and up to the Latest Practicable Date, or that would cause our financial information disclosed in this Introductory Document to be not necessarily indicative of our future operating results or financial condition.

12. Our Group is not subject to audit, inspection or review by regulatory authorities, therefore, there are no such material adverse findings by such regulatory authorities.

13. The details, including the name, address and professional qualifications including membership in a professional body of the auditors of our Company for the Period under Review are set out in the section entitled "*Corporate Information*" of this Introductory Document.

14. Save as disclosed, we were not engaged in any legal or arbitration proceedings, including those which are pending or known to be contemplated, which may have, or which have had in the 12

months immediately preceding the date of lodgement of this Introductory Document, a material effect on the financial position or profitability of our Company or our subsidiaries.

15. We currently have no intention of changing our auditors after the Introduction.

CONSENTS

16. CGS International Securities Singapore Pte. Ltd., as the Issue Manager, has given and has not withdrawn its written consent to the issue of this Introductory Document with the inclusion herein of its name and all references thereto in the form and context in which they are included in this Introductory Document, and to act in such capacity in relation to this Introductory Document.

17. Deloitte Touche Tohmatsu, as the Independent Auditor, has given and has not withdrawn its written consent to the issue of this Introductory Document with the inclusion herein of its name and all references thereto its audit reports on the audited consolidated financial statements of our Company as at and for each of the years ended 31 December 2022, 2023 and 2024, in the form and context in which they are included in this Introductory Document, and to act in such capacity in relation to this Introductory Document. The audit reports by the Independent Auditor on the audited consolidated financial statements of our Company as at and for each of the years ended 31 December 2022, 2023 and 2024 set out in Appendix A to this Introductory Document were not prepared for the purpose of incorporation in this Introductory Document.

18. Zhong Lun Law Firm, the legal adviser to our Company as to PRC law has given and has not withdrawn its written consent to the issue of this Introductory Document with the inclusion herein of its name and the statements attributed to them in the sections entitled "*Risk Factors*", "*Supply Chain, Manufacturing And Quality Assurance – Manufacturing*", "*Regulations*" and "*Management and Corporate Governance – Legal Representatives*" of this Introductory Document, which were prepared as at the date of this Introductory Document for the purpose of incorporation in this Introductory Document in the form and context in which they are included in this Introductory Document.

LEGAL MATTERS

19. Certain legal matters in connection with this Introduction will be passed upon for our Company by WongPartnership LLP with respect to matters of Singapore law, by Zhong Lun Law firm with respect to matters of PRC law, by Allen Overy Shearman Sterling with respect to matters of Hong Kong (China) law, and by Maples and Calder (Hong Kong) LLP with respect to matters of Cayman Islands law.

20. Each of WongPartnership LLP, Drew & Napier LLC, Allen Overy Shearman Sterling and Maples and Calder (Hong Kong) LLP does not make or purport to make any statement in this Introductory Document, is not aware of any statement in this Introductory Document which purports to be based on a statement made by it, and makes no representation, express or implied, regarding, and to the extent permitted by law takes no responsibility for, any statement in or omission from this Introductory Document. Save for the statements attributed to Zhong Lun Law Firm as set out under paragraph 18 above, Zhong Lun Law Firm does not make or purport to make any statement in this Introductory Document, is not aware of any statement in this Introductory Document which purports to be based on a statement made by it, and makes no representation, express or implied, regarding, and to the extent permitted by law takes no responsibility for, any statement in or omission from this Introductory Document.

DOCUMENTS AVAILABLE FOR INSPECTION

21. Copies of the following documents may be inspected at 1 Coleman Street, #08-01 The Adelphi, Singapore 179803, during normal business hours for a period of six (6) months from the date of this Introductory Document:

    (a) our Memorandum and Articles of Association;

    (b) the service agreements entered into with our Directors referred to in the section entitled "*Management and Corporate Governance – Directors and Executive Officers – Service Agreements with Directors*" of this Introductory Document;

    (c) the Independent Auditor's Report and the Audited Consolidated Financial Statements of our Group as at and for the years ended 31 December 2022, 2023 and 2024 as set out in Appendix A to this Introductory Document;

    (d) the respective audited financial statements of our Company and each of our subsidiaries (which has audited financial statements) as at and for the years ended 31 December 2022, 2023 and 2024; and

    (e) the letters of consent referred to in the section entitled "*General and Statutory Information – Consents*" of this Introductory Document.

APPENDIX A — INDEPENDENT AUDITOR'S REPORT AND AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF CHINA MEDICAL SYSTEM HOLDINGS LIMITED AND ITS SUBSIDIARIES AS AT AND FOR EACH OF THE YEARS ENDED 31 DECEMBER 2022, 2023 AND 2024

Deloitte. 德勤

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

Opinion

We have audited the consolidated financial statements of China Medical System Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 66 to 188, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

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

Key Audit Matters - continued

Key audit matter	How our audit addressed the key audit matter
Impairment of Goodwill	
We identified the impairment of goodwill allocated to the cash generating unit of Tianjin Kangzhe Pharmaceutical Technology Development Co., Ltd. ("Tianjin Kangzhe") as a key audit matter due to the involvement of significant judgment of the management in determining the impairment of goodwill. The impairment of goodwill allocated to the cash generating unit of Tianjin Kangzhe is determined based on the higher of fair value less costs of disposal and value in use of the cash generating unit. The recoverable amount has been determined based on value in use calculation, which is based on the cash flow forecasts prepared by management. The impairment model is sensitive to changes in the key assumptions including growth rates, discount rate and the forecast performance based on management's view of future business prospects. As at 31 December 2022, the carrying value of goodwill allocated to the cash generating unit of Tianjin Kangzhe was RMB990 million. Details relating to the Group's goodwill and key sources of estimation uncertainty are set out in Note 19 and Note 4 to the consolidated financial statements, respectively.	Our procedures in relation to the impairment of goodwill included: • Making inquiries with management on their bases and assumptions used in relation to the preparation of the value in use calculation; • Checking the mathematical accuracy of the value in use calculation; • Evaluating the reasonableness of the key assumptions including growth rates, discount rate and the forecast performance used by the management with reference to the historical performance; • Checking the inputs used in the cash flow forecast against supporting documentation; • Evaluating the sensitivity analysis prepared by the management on discount rate and growth rates to assess the extent of impact on the value in use calculation; • Evaluating the independent professional external valuer's competence, capabilities and objectivity; and • Involving our internal valuation specialists to assess the appropriateness of valuation methodology and discount rate adopted.

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

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Sy, Sunnie.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
16 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	NOTES	2022	2021
		RMB'000	RMB'000
Revenue	5	9,150,347	8,337,221
Cost of goods sold		(2,114,500)	(2,090,283)
Gross profit		7,035,847	6,246,938
Other income	6	198,578	146,947
Other gains and losses	7	(4,195)	111,525
Selling expenses		(2,721,312)	(2,540,147)
Administrative expenses		(636,612)	(440,995)
Finance costs	8	(49,086)	(28,270)
Research and development expenses		(125,431)	(114,761)
Share of results of associates		65,061	75,352
Profit before tax		3,762,850	3,456,589
Income tax expense	11	(486,655)	(431,325)
Profit for the year	12	3,276,195	3,025,264
Other comprehensive (expenses) income			
Item that will not be reclassified to profit or loss:			
Fair value loss on investments in equity instruments at fair value through other comprehensive income		(196,197)	(25,315)
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive income (expense) of associates		35,357	(10,541)
Exchange differences arising on translation of foreign operations		16,092	991
Exchange differences arising on translation of Interest in associate		18,315	-
Change in fair value on cash flow hedges			
- fair value gain		10,861	3,929
- deferred tax relating to change in fair value		(892)	(731)
Other comprehensive expense for the year, net of income tax		(116,464)	(31,667)
Total comprehensive income for the year		3,159,731	2,993,597
Profit for the year attributable to:			
Owners of the Company		3,258,992	3,017,402
Non-controlling interests		17,203	7,862
		3,276,195	3,025,264
Total comprehensive income for the year attributable to:			
Owners of the Company		3,142,528	2,985,735
Non-controlling interests		17,203	7,862
		3,159,731	2,993,597
		RMB	RMB
Earnings per share	14		
Basic		1.3281	1.2228

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2022

	NOTES	2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment	15	425,480	453,154
Right-of-use assets	16	69,979	76,713
Interests in associates	17	3,044,818	2,687,286
Intangible assets	18	2,066,423	2,215,697
Goodwill	19	1,665,993	1,691,179
Equity instruments at fair value through other comprehensive income	20(b)	297,048	400,471
Deposits paid for acquisition of intangible assets	23	1,285,415	790,483
Amount due from an associate	24	30,000	30,000
Loan receivable		-	31,879
Deposit paid for acquisition of a subsidiary		-	15,000
Deferred tax assets	31	39,007	36,299
		8,924,163	8,428,161
Current assets			
Inventories	21	477,206	472,598
Financial assets at fair value through profit or loss	20(a)	1,491,336	977,874
Trade and other receivables and prepayments	22	2,043,944	2,204,002
Loan receivable		70,168	-
Tax recoverable		253	19,469
Derivative financial instruments	32	42,021	-
Amount due from an associate	24	328,072	320,036
Bank balances and cash	25	4,376,376	3,385,739
		8,829,376	7,379,718
Current liabilities			
Trade and other payables	26	563,194	629,547
Lease liabilities	27	15,804	16,922
Contract liabilities	28	21,614	23,715
Bank borrowings	29	1,783,337	1,103,760
Derivative financial instrument	32	562	-
Deferred consideration payables	30	1,000	2,000
Tax liabilities		327,819	305,310
Obligation arising from put options	42(a)	163,773	-
		2,877,103	2,081,254
Net current assets		5,952,273	5,298,464
Total assets less current liabilities		14,876,436	13,726,625

	NOTES	2022 RMB'000	2021 RMB'000
Capital and reserves			
Share capital	33	83,991	84,177
Reserves	34	14,505,076	12,668,267
Equity attributable to owners of the Company		14,589,067	12,752,444
Non-controlling interests		148,010	94,543
		14,737,077	12,846,987
Non-current liabilities			
Deferred tax liabilities	31	124,959	123,575
Lease liabilities	27	13,491	17,810
Deferred consideration payables	30	909	736
Bank borrowings	29	-	573,813
Derivative financial instruments	32	-	11,291
Obligation arising from put options	42(a)	-	152,413
		139,359	879,638
		14,876,436	13,726,625

The consolidated financial statements on pages 66 to 188 were approved and authorised for issue by the Board of Directors on 16 March 2023 and are signed on its behalf by:

LAM Kong DIRECTOR	CHEN Yanling DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Attributable to owners of the Company													
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000 (Note 34)	Surplus reserve fund RMB'000 (Note 34)	Translation reserve RMB'000	Hedging reserve RMB'000	Investments revaluation reserve RMB'000	Share-based payments reserve RMB'000	Other reserve RMB'000	Accumulated profits RMB'000	Dividend reserve RMB'000	Sub-total RMB'000	Attributable to non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2021	84,634	2,304,879	19,545	354,768	(16,332)	(4,917)	(41,186)	-	-	7,830,445	502,306	11,034,142	68,573	11,102,715
Profit for the year	-	-	-	-	-	-	-	-	-	3,017,402	-	3,017,402	7,862	3,025,264
Share of other comprehensive expense of associates	-	-	-	-	(10,541)	-	-	-	-	-	-	(10,541)	-	(10,541)
Exchange differences arising from translation of foreign operations	-	-	-	-	991	-	-	-	-	-	-	991	-	991
Fair value loss on equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	(25,315)	-	-	-	-	(25,315)	-	(25,315)
Change in fair value on cash flow hedges														
- fair value gain	-	-	-	-	-	3,929	-	-	-	-	-	3,929	-	3,929
- deferred tax relating to change in fair value	-	-	-	-	-	(731)	-	-	-	-	-	(731)	-	(731)
Total comprehensive (expense) income for the year	-	-	-	-	(9,550)	3,198	(25,315)	-	-	3,017,402	-	2,985,735	7,862	2,993,597
Repurchase of ordinary shares (Note 33)	(457)	(151,062)	-	-	-	-	-	-	-	-	-	(151,519)	-	(151,519)
Acquisition of a subsidiary (Note 42(a))	-	-	-	-	-	-	-	-	57,264	-	-	57,264	106,500	163,764
Acquisition of a subsidiary (Note 42(b))	-	-	-	-	-	-	-	-	-	-	-	-	18,108	18,108
Transfer of Employment Share to an employee (as defined and detailed in Note 42(a))	-	-	-	-	-	-	-	(54,588)	19,088	-	-	(35,500)	35,500	-
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	17,156	-	-	-	17,156	-	17,156
Recognition of obligation arising from put options (Note 42(a))	-	-	-	-	-	-	-	-	-	-	-	-	(142,000)	(142,000)
Dividends paid (Note 13)	-	-	-	-	-	-	-	-	-	(652,528)	(502,306)	(1,154,834)	-	(1,154,834)
Dividends proposed (Note 13)	-	-	-	-	-	-	-	-	-	(557,594)	557,594	-	-	-
Transfer of reserves	-	-	-	7,383	-	-	-	-	-	(7,383)	-	-	-	-
Balance at 31 December 2021	84,177	2,153,817	19,545	362,151	(25,882)	(1,719)	(66,501)	(37,432)	76,352	9,630,342	557,594	12,752,444	94,543	12,846,987
Profit for the year	-	-	-	-	-	-	-	-	-	3,258,992	-	3,258,992	17,203	3,276,195
Share of other comprehensive income of associates	-	-	-	-	35,357	-	-	-	-	-	-	35,357	-	35,357
Exchange differences arising on translation of foreign operations	-	-	-	-	16,092	-	-	-	-	-	-	16,092	-	16,092
Exchange differences arising on translation of interest in associate	-	-	-	-	18,315	-	-	-	-	-	-	18,315	-	18,315
Fair value loss on investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	(196,197)	-	-	-	-	(196,197)	-	(196,197)
Change in fair value on cash flow hedges														
- fair value gain	-	-	-	-	-	10,861	-	-	-	-	-	10,861	-	10,861
- deferred tax relating to change in fair value	-	-	-	-	-	(892)	-	-	-	-	-	(892)	-	(892)
Total comprehensive income (expense) for the year	-	-	-	-	69,764	9,969	(196,197)	-	-	3,258,992	-	3,142,528	17,203	3,159,731
Repurchase of ordinary shares (Note 33)	(186)	(48,196)	-	-	-	-	-	-	-	-	-	(48,382)	-	(48,382)
Acquisition of a subsidiary (Note 42(b))	-	-	-	-	-	-	-	-	-	-	-	-	3,174	3,174
Non-controlling interests arising from incorporation of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	33,090	33,090
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	18,716	-	-	-	18,716	-	18,716
Dividends paid (Note 13)	-	-	-	-	-	-	-	-	-	(718,645)	(557,594)	(1,276,239)	-	(1,276,239)
Dividends proposed (Note 13)	-	-	-	-	-	-	-	-	-	(591,910)	591,910	-	-	-
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	20,675	-	-	(20,675)	-	-	-	-
Transfer of reserves	-	-	-	32,734	-	-	-	-	-	(32,734)	-	-	-	-
Balance at 31 December 2022	83,991	2,105,621	19,545	394,885	43,882	8,250	(242,023)	(18,716)	76,352	11,525,370	591,910	14,589,067	148,010	14,737,077

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	NOTES	2022 RMB'000	2021 RMB'000
OPERATING ACTIVITIES			
Profit before tax		3,762,850	3,456,589
Adjustments for:			
Amortisation of intangible assets	18	165,769	164,196
Impairment loss on goodwill		60,000	20,000
Impairment loss on financial assets under expected credit loss model, net of reversal		110	1,305
Impairment loss on deposit paid for acquisition of intangible assets		2,003	-
Interest expenses		37,553	17,608
Depreciation of property, plant and equipment	15	43,310	41,853
Depreciation of right-of-use assets	16	18,147	13,771
Loss on disposal of property, plant and equipment		403	225
Release on deferred difference on initial recognition of financial instruments		-	(1,929)
Imputed interest expense on deferred consideration payables		173	249
Imputed interest expense on obligation rising from put options		11,360	10,413
Share of results of associates		(65,061)	(75,352)
Interest income		(105,515)	(81,853)
Net foreign exchange loss		155,744	8,014
Change in fair value of derivative financial instruments		(41,889)	10,063
Change in fair value of financial assets at fair value through profit or loss		(150,009)	(115,656)
Recognition of share-based payments		18,716	17,156
Operating cash flows before movements in working capital		3,913,664	3,486,652
Decrease (increase) in inventories		8,156	(90,865)
Decrease (increase) in trade and other receivables and prepayments		163,914	(367,886)
Increase in amount due from an associate		(8,036)	(112,765)
Decrease in trade and other payables		(71,858)	(33,867)
Decrease (increase) in contract liabilities		(2,101)	9,309
Cash generated from operations		4,003,739	2,890,578
People's Republic of China (the "PRC") Enterprise Income Tax paid		(284,566)	(268,482)
Hong Kong Profits Tax paid		(122)	(2,340)
Macau Complementary Income Tax paid		(165,808)	(125,904)
NET CASH FROM OPERATING ACTIVITIES		3,553,243	2,493,852

	NOTE	2022 RMB'000	2021 RMB'000
INVESTING ACTIVITIES			
Interest received		103,152	81,853
Dividends received from an associate		31,305	47,235
Purchase of property, plant and equipment		(18,336)	(23,347)
Proceeds from disposal of property, plant and equipment		2,323	2,998
Disposal of financial assets at fair value through profit or loss		185	-
Disposal of equity instruments at fair value through other comprehensive income		2,841	-
Purchase of financial assets at fair value through profit or loss		(363,638)	(858,334)
Purchase of equity instruments at fair value through other comprehensive income		(95,615)	(10,201)
Payments for rental deposits		(184)	(2,451)
Deposits paid for acquisition of intangible assets		(506,585)	(161,494)
Acquisition of an associate		(233,713)	(30,000)
Capital injection to an associate		(36,117)	-
Deposit paid for acquisition of a subsidiary		-	(15,000)
Loan to third parties		(34,823)	(31,879)
Net cash outflow on acquisition of subsidiaries		(28,997)	(518,905)
NET CASH USED IN INVESTING ACTIVITIES		(1,178,202)	(1,519,525)
FINANCING ACTIVITIES			
New bank borrowings raised		1,375,013	1,077,375
Repayment for deferred consideration payable		(1,000)	-
Interest paid		(37,553)	(17,608)
Dividends paid	13	(1,276,239)	(1,154,834)
Repayment of bank borrowings		(1,427,993)	(10)
Repayments of lease liabilities		(16,850)	(11,796)
Payment on repurchase of shares		(48,382)	(151,519)
Capital contribution from non-controlling interest		33,090	-
NET CASH USED IN FINANCING ACTIVITIES		(1,399,914)	(258,392)
NET INCREASE IN CASH AND CASH EQUIVALENTS		975,127	715,935
CASH AND CASH EQUIVALENT AT THE BEGINNING OF YEAR		3,385,739	2,668,426
Effects of exchange rate changes on the balance of cash held in foreign currencies		15,510	1,378
CASH AND CASH EQUIVALENT AT THE END OF YEAR REPRESENTED BY BANK BALANCES AND CASH		4,376,376	3,385,739

1. GENERAL INFORMATION

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

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

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

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs for the first time, which are mandatorily effective for the annual periods beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IAS 16	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts - Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018 - 2020

Except as described below, the application of the amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

Impacts on application of Amendments to IFRS 3 Reference to the Conceptual Framework

The Group has applied the amendments to business combinations for which the acquisition date was on or after 1 January 2022. The amendments update a reference in IFRS 3 Business Combinations so that it refers to the Conceptual Framework for Financial Reporting issued by International Accounting Standards Board in March 2018 (the "Conceptual Framework") instead of the International Accounting Standards Committee's Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting issued in September 2010), add a requirement that, for transactions and events within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, an acquirer applies IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination and add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments in the current year has had no impact on the Group's consolidated financial statements.

Impacts on application of Amendments to IFRSs Annual Improvements to IFRSs 2018-2020

The Group has applied the amendments for the first time in the current year. The annual improvements make amendments to the following standards:

IFRS 9 *Financial Instruments*

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the "10 per cent" test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

In accordance with the transitional provisions, the Group applies the amendment to financial liabilities that are modified or exchanged as at the date of initial application, 1 January 2022.

IFRS 16 *Leases*

The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

IAS 41 *Agriculture*

The amendment ensures consistency with the requirements in IFRS 13 Fair Value Measurement by removing the requirement in paragraph 22 of IAS 41 to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The application of the amendments in the current year has had no impact on the Group's consolidated financial statements.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17	Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1	Non-current Liabilities with Covenants[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

[1] Effective for annual periods beginning on or after 1 January 2023
[2] Effective for annual periods beginning on or after a date to be determined
[3] Effective for annual periods beginning on or after 1 January 2024

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

Amendments to IAS 1 Classification of Liabilities as Current or Non-current and and Amendments to IAS 1 Non-current Liabilities with Covenants(the "2022 Amendments")

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 Financial Instruments: *Presentation*.

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

Amendments to IAS 1 Classification of Liabilities as Current or Non-current and and Amendments to IAS 1 Non-current Liabilities with Covenants(the "2022 Amendments") - continued

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if the entity classify liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group's outstanding liabilities as at 31 December 2022, the application of the 2020 and 2022 Amendments will not result in reclassification of the Group's liabilities.

Amendments to IAS 1 and IFRS Practice Statement 2 *Disclosure of Accounting Policies*

IAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 Making Materiality Judgements (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies - continued

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to IAS 8 *Definition of Accounting Estimates*

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty - that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in IAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in note 3 to the consolidated financial statements, for leasing transactions in which the tax deductions are attributable to the lease liabilities (please see Note below), the Group applies IAS 12 requirements to the relevant assets and liabilities separately. Temporary differences on initial recognition of the relevant assets and liabilities are not recognised due to application of the initial recognition exemption.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for the Group's annual reporting periods beginning on 1 January 2023. As at 31 December 2022, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to RMB27,888,000 and RMB29,295,000 respectively. The Group is still in the process of assessing the full impact of the application of the amendments.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets.*

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies

Basis of consolidation

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

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

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

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

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

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

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

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

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Business combinations - continued

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

For business combinations in which the acquisition date is on or after 1 January 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting issued by International Accounting Standards Board in March 2018 (the "Conceptual Framework") except for transactions and events within the scope of IAS 37 or IFRIC 21, in which the Group applies IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see the accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Goodwill - continued

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

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

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

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

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

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

Interests in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Interests in associates- continued

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

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

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

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

Property, plant and equipment

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Property, plant and equipment - continued

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

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

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

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

Intangible assets

Intangible assets acquired separately

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Intangible assets - continued

Internally-generated intangible assets -research and development expenditure

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

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

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

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

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

Intangible assets acquired in a business combination

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

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

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

Cash and cash equivalents

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

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

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

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Inventories

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

Financial instruments

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Financial instruments - continued

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

If the transaction price differs from fair value at initial recognition, the Group will account for such difference as follows:

- if fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised in profit or loss on initial recognition (i.e. day 1 profit or loss);

- in all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it as a separate line item on the consolidated statement of financial position).

After initial recognition, the deferred gain or loss will be released to profit or loss on a rational basis, only to the extent that it arises from a change in time value of options that market participants would take into account when pricing the asset or liability.

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Financial instruments - continued

Financial assets - continued

Classification and subsequent measurement of financial assets - continued

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

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

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

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

(i) Amortised cost and interest income

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Financial instruments - continued

Financial assets - continued

Classification and subsequent measurement of financial assets - continued

(ii) Equity instruments designated as at FVTOCI

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

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

(iii) Financial assets at FVTPL

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

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss and is included in the "other gains and losses" line item.

Impairment of financial assets subject to impairment assessment under IFRS 9

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Financial instruments - continued

Financial assets - continued

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

The Group always recognises lifetime ECL for trade receivables.

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

(i) Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Financial instruments - continued

Financial assets - continued

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

(i) Significant increase in credit risk - continued

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Financial instruments - continued

Financial assets - continued

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Financial instruments - continued

Financial assets - continued

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

(v) Measurement and recognition of ECL - continued

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

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

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

Derecognition of financial assets

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Financial instruments - continued

Financial liabilities and equity instruments

Classification as debts or equity

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

Equity instruments

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

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

Financial liabilities

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

Financial liabilities at FVTPL

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

A financial liability is held for trading if:

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Financial instruments - continued

Financial liabilities and equity instruments - continued

Financial liabilities at FVTPL - continued

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

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

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

Financial liabilities at amortised cost

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

Bank borrowings

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Financial instruments - continued

Financial liabilities and equity instruments - continued

Deferred consideration payables

The deferred consideration payables are initially measured at the present value of the contractual future payments. Deferred consideration payables are subsequently measured at amortised cost using the effective interest method.

Obligation arising from put options

Put options written to a non-controlling shareholder which will be settled by exchange of fixed amount of cash for a fixed number of shares in a subsidiary is treated as equity instrument and is recognised at fair value upon initial recognition.

The gross financial liability arising from the put options is recognised when contractual obligation to repurchase the shares in a subsidiary is established even if the obligation is conditional on the counterparty exercising a right to sell back the shares to the subsidiary. The liability for the share redemption amount is initially recognised and measured at present value of the estimated repurchase price with the corresponding debit to non-controlling interests. In subsequent periods, the remeasurement of the present value of the estimated gross obligation under the written put options to the non-controlling shareholder is recognised in profit or loss.

Derecognition of financial liabilities

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

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Financial instruments - continued

Derecognition of financial liabilities - continued

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform - continued

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

For the purpose of determining whether a forecast transaction (or a component thereof) is highly probable, the Group assumes that the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Financial instruments - continued

Hedge accounting - continued

Assessment of hedging relationship and effectiveness

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

For changes made to the hedged risk, hedged item or hedging instrument required by interest rate benchmark reform, the Group amends the formal designation of a hedging relationship to reflect the changes by the end of the reporting period during which the relevant changes were made. Such an amendment to the formal designation of the hedging relationship constitutes neither the discontinuation of the hedging relationship nor the designation of a new hedging relationship.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated under the heading of hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in "other gains and losses" line item.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Financial instruments - continued

Hedge accounting - continued

Cash flow hedges - continued

When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the interest rate benchmark reform, the amount accumulated in the cash flow hedge reserve is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. Furthermore, if the Group expects that some or all of the loss accumulated in the hedging reserve will not be recovered in the future, the amount is immediately reclassified to profit or loss.

Discontinuation of hedge accounting

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transactions is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Revenue from contracts with customers

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Revenue from contracts with customers - continued

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

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

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

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

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Variable consideration

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Revenue from contracts with customers - continued

Variable consideration - continued

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

Principal versus agent

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

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

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Taxation - continued

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Taxation - continued

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

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

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

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Foreign currencies

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Foreign currencies - continued

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

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

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

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

Leases

Definition of 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.

For contracts entered into or modified on or after the date of initial application of IFRS16, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Leases - continued

The Group as a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases of office premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognised and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Leases - continued

The Group as a lessee - continued

Lease liabilities - continued

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 initially measured using the index or rate as the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Leases - continued

The Group as a lessee - continued

Lease modifications - continued

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

Borrowing costs

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

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Government grants relating to compensation of expenses are deducted from the related expenses, other government grants are presented under “other income”.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Retirement benefit costs

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

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

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

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

Short-term employee benefits

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

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

Share-based payments

Equity-settled share-based payment transactions

Shares/Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Share-based payments - continued

Equity-settled share-based payment transactions - continued

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve.

When share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to accumulated profits. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will continue to be held in share-based payments reserve.

When shares granted are vested, the amount previously recognised in share-based payments reserve will be transferred to share capital and share premium.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY - continued

Estimated impairment of goodwill

For the purpose of impairment testing, the entire amount of goodwill has been allocated to nine (2021: seven) cash generating units ("CGU"s) (see note 19). The impairment assessment is based on the higher of fair value less costs of disposal and value in use of the CGUs. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate the present value. The value in use calculation is sensitive to changes in the key assumptions including growth rates, discount rate and the forecast performance based on management's view of future business prospects. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss/further impairment loss may arise.

During the year ended 31 December 2022, an impairment loss of RMB60,000,000 (2021: RMB20,000,000) was recognised in profit or loss. As at 31 December 2022, the carrying amount of goodwill is approximately RMB1,665,993,000 (2021: RMB1,691,179,000) (net of accumulated impairment loss of RMB250,000,000 (2021: RMB190,000,000)).

Estimated impairment of intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is determined as the higher of its fair value less costs of disposal and its value in use. The recoverable amount is estimated with reference to the value in use calculation in order to determine the extent of the impairment loss, if any. The value in use calculation is sensitive to changes in the key assumptions including growth rates, discount rate and the forecast performance based on management's view of future business prospects. If the recoverable amount of an intangible asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. No impairment loss of intangible assets were recognised for both years. As at 31 December 2022, the carrying amount of intangible assets is approximately RMB2,066,423,000 (2021: RMB2,215,697,000).

Provision of ECL for trade receivables

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

The provision of ECL is sensitive to changes in estimates. As at 31 December 2022, the carrying amount of trade receivables amounted to 1,442,035,000 (2021: 1,395,789,000) were net of impairment allowance under ECL model. The information about the ECL and the Group's trade receivables are disclosed in notes 36 and 22, respectively.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY - continued

Fair value measurement of financial instruments

As at 31 December 2022, the Group's unquoted equity instruments at FVTOCI amounting to RMB233,047,000 (2021: RMB336,902,000) and financial assets, being unlisted investments at FVTPL amounting to RMB1,491,336,000 (2021: RMB977,264,000), are measured at fair values with fair values being determined based on significant unobservable inputs using valuation techniques and the relevant inputs thereof. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. See note 20 for further disclosures.

Estimated impairment of deposits paid for acquisition of intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its deposits paid for acquisition of intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated with reference to the value in use calculation in order to determine the extent of the impairment loss, if any. The value in use calculation is sensitive to changes in the key assumptions including growth rates, discount rate and the forecast performance based on management's view of future business prospects. If the recoverable amount of the deposits paid for acquisition of intangible assets is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. During the year ended 31 December 2022, an impairment loss of RMB2,003,000 (2021: RMB nil) was recognised in profit or loss. As at 31 December 2022, the carrying amount of the deposits paid for acquisition of intangible assets is approximately RMB1,285,415,000 (2021: RMB790,483,000).

5. REVENUE AND SEGMENT INFORMATION

(i) Disaggregation of revenue from contracts with customers

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

At a point in time	2022 RMB'000	2021 RMB'000
Sales of pharmaceutical products	7,055,729	6,655,017
Promotion income	2,094,618	1,682,204
Total revenue	9,150,347	8,337,221

(ii) Performance obligations for contracts with customers

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

5. REVENUE AND SEGMENT INFORMATION - continued

(ii) Performance obligations for contracts with customers - continued

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

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

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

A contract liability represents the Group's obligation to sales of pharmaceutical products to customers for which the Group has received consideration from (or an amount of consideration is due from) customers while revenue has not yet been recognised. All the revenue contracts are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(iii) Segment information

The Group determines its operating segments based on the internal reports reviewed by the Executive Directors of the Company, being the chief operating decision maker that are used for resources allocation and assessment of segment performance.

The Group only has one reportable operating segment that is marketing, promotion, sales and manufacturing of pharmaceutical products. No operating results and discrete financial information is available for the assessment of performance of the respective business divisions and resources allocation purpose. Therefore, no analysis of the Group's revenue, results, assets and liabilities by operating segments is presented.

The Group's production of medicines, marketing, promotion and sale of drugs are primarily in the PRC. Almost all revenue from external customers is attributed to the PRC, 79% and 21% of non-current assets excluding amount due from an associate, derivative financial instruments and deferred tax assets of the Group are located in the PRC and Dubai, respectively (2021: 76% and 24%).

Sales to the largest customer of the Group account for 14.4% of the Group's sales and no other single customers contribute over 10% of the total revenue of the Group for the year ended 31 December 2022.

Sales to the largest customer of the Group account for 12.6% of the Group's sales and no other single customers contribute over 10% of the total revenue of the Group for the year ended 31 December 2021.

6. OTHER INCOME

	2022 RMB'000	2021 RMB'000
Interest income	105,515	81,853
Government subsidies (Note a)	93,063	65,094
	198,578	146,947

Note:

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

7. OTHER GAINS AND LOSSES

	2022 RMB'000	2021 RMB'000
Impairment loss on goodwill	(60,000)	(20,000)
Impairment loss on deposit paid for intangible asstes	(2,003)	-
Loss on disposal of property, plant and equipment	(403)	(225)
Net foreign exchange (loss) gain	(126,214)	22,622
Change in fair value of derivative financial instruments	41,889	(10,063)
Change in fair value of financial assets at fair value through profit or loss	150,009	115,656
Release on deferred difference on initial recognition of financial instruments	-	1,929
Others	(7,473)	1,606
	(4,195)	111,525

8. FINANCE COSTS

	2022 RMB'000	2021 RMB'000
Interest on bank borrowings	35,455	15,397
Interest on lease liabilities	2,098	2,211
Interest on obligation arising from put options (Note 42)	11,360	10,413
Imputed interest on deferred consideration payables	173	249
	49,086	28,270

9. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

	Year ended 31 December 2022						
	Executive Directors (Note b)		Independent Non-executive Directors (Note c)			Executive Director and chief executive (Note b)	
	Chen Hong Bing	Chen Yan Ling	Fung Ching, Simon	Leung Chong Shun	Luo, Laura Ying	Lam Kong	Total
	RMB'000	RMB'000	RMB'000 (Note e)	RMB'000	RMB'000	RMB'000 (Note a)	RMB'000
Fees	308	308	308	308	308	308	1,848
Other emoluments							
Salaries and other benefits	4,397	3,144	-	-	-	5,182	12,723
Contributions to retirement benefits schemes	103	30	-	-	-	31	164
Total emoluments	4,808	3,482	308	308	308	5,521	14,735

	Year ended 31 December 2021							
	Executive Directors (Note b)		Independent Non-executive Directors (Note c)				Executive Director and chief executive (Note b)	
	Chen Hong Bing	Chen Yan Ling	Wu Chi Keung	Fung Ching, Simon	Leung Chong Shun	Luo, Laura Ying	Lam Kong	Total
	RMB'000	RMB'000	RMB'000 (Note d)	RMB'000 (Note e)	RMB'000	RMB'000	RMB'000 (Note a)	RMB'000
Fees	199	199	152	47	199	199	199	1,194
Other emoluments								
Salaries and other benefits	3,874	2,964	-	-	-	-	4,311	11,149
Contributions to retirement benefits schemes	84	25	-	-	-	-	30	139
Total emoluments	4,157	3,188	152	47	199	199	4,540	12,482

Notes:

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

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

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

Notes: - continued

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

(d) Mr. Wu Chi Keung resigned as the independent non-executive director of the Company on 6 October 2021.

(e) Mr. Fung Ching, Simon was appointed as the independent non-executive director of the Company on 6 October 2021.

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

10. EMPLOYEES' EMOLUMENTS

The five highest paid individuals for the year ended 31 December 2022 included 3 directors (2021: 3 directors), details of whose emoluments are set out in note 9 above. The emoluments of the remaining two (2021: two) individuals for the year ended 31 December 2022 were as follows:

	2022	2021
	RMB'000	RMB'000
Employees		
- basic salaries and allowances	5,689	4,773
- equity-settled share-based expense	18,716	17,156
- retirement benefits scheme contributions	97	-
	24,502	21,929

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

	Number of employees	
	2022	2021
HK$3,500,001 to HK$4,000,000	1	1
HK$22,500,001 to HK$23,000,000	-	1
HK$25,000,001 to HK$26,000,000	1	-

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

11. INCOME TAX EXPENSE

	2022 RMB'000	2021 RMB'000
Current tax:		
The PRC Enterprise Income Tax ("EIT")	330,406	273,738
Hong Kong Profits Tax	2,317	136
Macau Complementary Income Tax	143,409	151,969
	476,132	425,843
Under (over) provision in prior years:		
The PRC EIT	14,450	2,524
Macau Complementary Income Tax	-	(6,744)
	14,450	(4,220)
Deferred taxation (note 31):		
- Current year	(3,927)	9,702
	486,655	431,325

Notes:

(a) The PRC Enterprise Income Tax

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

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

天津康哲醫藥科技發展有限公司 (Tianjin Kangzhe Pharmaceutical Technology Development Co., Ltd.) ("Tianjin Kangzhe") is entitled to a reduced tax rate of 15% (2021: 15%) granted by the local tax authority until 2023. 康哲(湖南)制藥有限公司 (Kangzhe (Hunan) Medical Co., Ltd.) ("Kangzhe Hunan") is entitled to a reduced tax rate of 15% (2021: 15%) granted by local tax authority until 2022. 西藏康哲藥業發展有限公司 (Tibet Kangzhe Pharmaceutical Development Co., Ltd) ("Tibet Kangzhe Development") is entitled to a reduced tax rate of 9% (2021: 9%) granted by local tax authority until 2025.

(b) Hong Kong Profits Tax

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

11. INCOME TAX EXPENSE - continued

Notes: - continued

(b) Hong Kong Profits Tax - continued

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

(c) PRC Withholding Income Tax

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

(d) Overseas Income tax

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

(e) Macau Complementary Income Tax

Macau Complementary Income Tax is calculated at the progressive rate on the estimated assessable profits. The maximum tax rate is 12% for the years ended 31 December 2022 and 2021.

(f) Dubai Tax

The United Arab Emirates does not have a federal corporate income tax regime. Instead, corporate income tax is determined on a territorial basis under the respective Tax Decrees issued by the government of each individual Emirate (of which there are seven that make up the United Arab Emirates), among which Dubai has no legislation imposing corporate income taxes. On the basis of the above, most entities registered in Dubai are currently not required to file corporate tax returns in Dubai, regardless of where the business is registered. According to prevailing regulations in Dubai, no income tax is imposed on the Company's subsidiaries in Dubai.

11. INCOME TAX EXPENSE - continued

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

	2022 RMB'000	2021 RMB'000
Profit before tax	3,762,850	3,456,589
Tax at PRC EIT rate of 25%	940,713	864,147
Tax effect of share of results of associates	(16,265)	(18,838)
Tax effect of expenses that are not deductible in determining taxable profit	100,862	89,572
Tax effect of income that is not taxable in determining taxable profit	(870)	(1,536)
Tax effect of offshore income that is not taxable in determining taxable profit	(94,400)	(88,583)
Tax effect of tax losses not recognised	23,247	3,400
Tax effect of deductible temporary differences not recognised	6,838	16,132
Tax effect of tax concession	(203,779)	(137,190)
Effect on different applicable tax rates of subsidiaries	(135,332)	(160,426)
Effect of taxable profit that is not taxable in Dubai	(143,256)	(132,222)
Under provision (over provision) in prior years	14,450	(4,220)
Others	(5,553)	1,089
Income tax expense for the year	486,655	431,325

12. PROFIT FOR THE YEAR

	2022 RMB'000	2021 RMB'000
Profit for the year has been arrived at after charging:		
Directors' remuneration (note 9)		
Fees	1,848	1,194
Salaries and other benefits	12,723	11,149
Contribution to retirement benefits schemes	164	139
	14,735	12,482
Other staff costs	1,189,251	1,032,220
Equity-settled share-based expense	18,716	17,156
Contribution to retirement benefits schemes	217,691	136,583
Employee benefits expense (note 41)	5,760	-
Total staff costs	1,446,153	1,198,441
Auditor's remuneration	4,246	4,058
Depreciation of property, plant and equipment	43,310	41,853
Depreciation of right-of-use assets	18,147	13,771
Amortisation of intangible assets (included in cost of goods sold)	165,769	164,196
Cost of inventories recognised as an expense	1,941,753	1,919,419

13. DIVIDENDS

	2022 RMB'000	2021 RMB'000
Dividends paid		
Dividends recognised as distributions during the year:		
2022 Interim - RMB0.2930 (2021: 2021 Interim dividend RMB0.2641) per share	718,645	652,528
2021 Final - RMB0.2269 (2021: 2020 final dividend RMB0.2033) per share	557,594	502,306
	1,276,239	1,154,834
Dividends proposed		
Dividends proposed during the year:		
2022 final - RMB0.2414 (2021: 2021 final - RMB0.2269) per share	591,910	557,594

Subsequent to the end of the reporting period, the Board of Directors have declared a final dividend of RMB0.2414 per ordinary share for the year ended 31 December 2022 (2021: RMB0.2269 per ordinary share).

14. EARNINGS PER SHARE

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

	2022 RMB'000	2021 RMB'000
Earnings for the purposes of basic earnings per share (profit for the year attributable to owners of the Company)	3,258,992	3,017,402

	Number of ordinary shares as at 31 December	
	2022	2021
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,453,940,224	2,467,696,556

The computation of diluted earnings per share for both years did not assume the exercise of put options by the non-controlling shareholder of a subsidiary as the exercise of the put option would result in an increase of earnings per share for both years.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvement	Plant and machinery	Motor vehicles	Furniture, fixtures and equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At 1 January 2021	322,979	54,221	184,113	34,635	33,808	15,484	645,240
Additions	1,810	6,727	1,956	2,272	7,239	3,343	23,347
Acquired on acquisition of a subsidiary	-	-	-	-	60	-	60
Disposals	-	-	(4,186)	-	(4,010)	-	(8,196)
Transfer	5,192	-	510	-	-	(5,702)	-
At 31 December 2021	329,981	60,948	182,393	36,907	37,097	13,125	660,451
Additions	9	5,072	5,537	73	7,118	527	18,336
Acquired on acquisition of a subsidiary	-	-	-	-	26	-	26
Disposals	-	-	(2,235)	(3,134)	(2,500)	-	(7,869)
Transfer	-	73	-	-	831	(904)	-
At 31 December 2022	329,990	66,093	185,695	33,846	42,572	12,748	670,944
ACCUMULATED DEPRECIATION							
At 1 January 2021	60,628	13,813	61,221	24,659	10,096	-	170,417
Provided for the year	13,598	6,173	12,898	4,378	4,806	-	41,853
Eliminated on disposals	-	-	(2,668)	-	(2,305)	-	(4,973)
At 31 December 2021	74,226	19,986	71,451	29,037	12,597	-	207,297
Provided for the year	13,162	7,174	13,643	3,559	5,772	-	43,310
Eliminated on disposals	-	-	(1,440)	(2,821)	(882)	-	(5,143)
At 31 December 2022	87,388	27,160	83,654	29,775	17,487	-	245,464
CARRYING VALUES							
At 31 December 2022	242,602	38,933	102,041	4,071	25,085	12,748	425,480
At 31 December 2021	255,755	40,962	110,942	7,870	24,500	13,125	453,154

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

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

As at 31 December 2022 and 2021, the Group had no pledged property, plant and equipment to source bank borrowing and banking facilities granted to the Group.

16. RIGHT-OF-USE ASSETS

	Leasehold land	Building	Total
	RMB'000	RMB'000	RMB'000
As at 31 December 2022			
Carrying amount	42,091	27,888	69,979
As at 31 December 2021			
Carrying amount	43,309	33,404	76,713
For the year ended 31 December 2022			
Depreciation charge	1,218	16,929	18,147
For the year ended 31 December 2021			
Depreciation charge	1,196	12,575	13,771

	Year ended 31/12/2022	Year ended 31/12/2021
	RMB'000	RMB'000
Expense relating to short-term leases	12,340	7,682
Total cash outflow for leases	(31,288)	(21,689)
Additions to right-of-use assets	11,413	33,622

For both years, the Group leases offices premises and warehouses for its operations. For the year ended 31 December 2022, lease contracts are entered into for fixed term of 1 year to 5 years (2021: 1 year to 5 years) with fixed payment. The Group does not have the option to purchase the leased properties for a nominal amount at the end of the relevant lease terms or any extension/termination options which are solely at the Group's discretion. The Group's obligations are secured by the rental deposits for such leases. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The Group determines the lease period to be the non-cancellable period based on the contractual terms of the contract.

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

As at 31 December 2022 and 2021, the Group had no pledged right-of-use assets to source ure general banking facilities granted to the Group.

16. RIGHT-OF-USE ASSETS - continued

The Group regularly entered into short-term leases for offices premises and warehouses. As at 31 December 2022 and 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

All the Group's leasehold lands represented prepaid land use right, are located in the PRC.

17. INTERESTS IN ASSOCIATES

	2022 RMB'000	2021 RMB'000
Cost of investments in associates		
Listed outside Hong Kong	2,304,356	2,304,356
Unlisted	299,830	30,000
Share of post-acquisition profits and other comprehensive income, net of dividends received	422,317	352,930
Exchange adjustments	18,315	-
	3,044,818	2,687,286
Fair value of listed investment (note)	3,326,859	4,849,508

Note: As at 31 December 2022, the fair value of the Group's interest in its listed associate, Tibet Rhodiola Pharmaceutical Holding Company ("Tibet Pharmaceutical"), of which its shares are listed on the Shanghai Stock Exchange (the "SSE"), was approximately RMB3,327 million (2021: approximately RMB4,850 million) based on the quoted market price available on the Shanghai Stock Exchange, which is a level 1 input in terms of IFRS 13 *Fair Value Measurement.*

As at 31 December 2022 and 2021, details of the associates are as follows:

Name of associates	Place of establishment/ incorporation	Principal place of business	Proportion of ownership interest /voting rights held by the Group		Principal activities
			2022	2021	
Tibet Pharmaceutical (Note a)	Tibet	Tibet	37.36%	37.36%	Production of medicines and sale of drugs
Shenzhen Kangmai Biotechnology Co., Ltd. (formerly known as Zhuhai Kangmai Biotechnology Co., Ltd.) (Note b)	PRC	PRC	50.00%	50.00%	Research and development of antibodies medicines
Eye Tech Care (Note c)	France	France	36.17%	N/A	Research and development of therapeutic ultrasound device

17. INTERESTS IN ASSOCIATES - continued

Notes:

(a) As the Group is able to exercise significant influence over Tibet Pharmaceutical in both years, it is accounted for as an associate of the Group. Included in the cost of investment in Tibet Pharmaceutical as at 31 December 2022, there is a goodwill of approximately RMB1,654,481,000 (2021: RMB1,654,481,000).

As at 31 December 2022 and 2021, no impairment indicator on interest in Tibet Pharmaceutical and no impairment assessment was carried out.

(b) In October 2021, the Group established Shenzhen Kangmai Biotechnology Co., Ltd. ("Shenzhen Kangmai") with an independent third party, Trinomab Biotech Co., Ltd ("Trinomab"). Trinomab is responsible for drug discovery and preclinical studies, while the Group is responsible for clinical development, registration, and commercialization, etc. Each party owns 50% of equity interest in Shenzhen Kangmai, however, the Group appointed one director out of three directors and is able to exercise significant influence over Shenzhen Kangmai.

As at 31 December 2021, no impairment indicator on interest in Shenzhen Kangmai and no impairment assessment was carried out.

(c) In August 2022, the Group entered into an investment agreement in which the Group acquired 36.17% equity interest of Eye Tech Care ("ETC") for a consideration of EUR34,000,000 (approximately equivalent to RMB233,713,000) and the investment was accounted for as an investment in an associate using the equity method.

Summarised financial information of associates

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

17. INTERESTS IN ASSOCIATES - continued

Summarised financial information of associates - continued

Tibet Pharmaceutical

	31.12.2022 RMB'000	31.12.2021 RMB'000
Current assets	2,712,114	2,181,907
Non-current assets	1,387,298	1,620,749
Current liabilities	(1,026,205)	(1,109,665)
Non-current liabilities	(42,436)	(47,970)

	2022 RMB'000	2021 RMB'000
Revenue	2,554,609	2,138,587
Profit for the year	375,277	213,027
Other comprehensive income (expense) for the year	94,398	(29,012)
Total comprehensive income for the year	469,675	184,015
Dividends received from the associate during the year	31,305	47,235

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

	31.12.2022 RMB'000	31.12.2021 RMB'000
Net assets of Tibet Pharmaceutical	3,030,771	2,645,021
Non-controlling interests	(19,031)	(14,661)
	3,011,740	2,630,360
Proportion of the Group's ownership interest in Tibet Pharmaceutical	37.36%	37.36%
	1,125,186	982,702
Goodwill	1,654,481	1,654,481
Effect of fair value adjustment at acquisition	32,861	32,861
Effect of deferred tax relating to fair value adjustment at acquisition	(8,215)	(8,215)
Other adjustments	(6,610)	(4,224)
Carrying amount of the Group's interest in Tibet Pharmaceutical	2,797,703	2,657,605

17. INTERESTS IN ASSOCIATES - continued

Summarised financial information of associates - continued

Shenzhen Kangmai

	31.12.2022 RMB'000	31.12.2021 RMB'000
Current assets	732	59,362
Non-current assets	46,674	-
Current liabilities	(16,316)	-

	For the period from 20 October 2021 (date of incorporation) to 31 December 2022 RMB'000	 2021 RMB'000
Revenue	-	-
Loss for the year	(154,391)	(638)
Total comprehensive expense for the year	(154,391)	(638)

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

	31.12.2022 RMB'000	31.12.2021 RMB'000
Net assets of Shenzhen Kangmai	31,090	59,362
Proportion of the Group's ownership interest in Shenzhen Kangmai	50.00%	50.00%
	15,545	29,681
Unrecognised share of loss of Shenzhen Kangmai	(11,397)	-
Other adjustments	(4,148)	-
Carrying amount of the Group's interest in Shenzhen Kangmai	-	29,681

17. INTERESTS IN ASSOCIATES - continued

Summarised financial information of associates - continued

ETC

	31.12.2022 RMB'000
Current assets	156,237
Non-current assets	9,494
Current liabilities	(30,857)
Non-current liabilities	(24,792)

	For the period from 12 August 2022 (date of acquisition) to 31 December 2022 RMB'000
Revenue	907
Loss for the year	(9,943)
Other comprehensive expense for the year	(761)
Total comprehensive loss for the year	(10,704)

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

	31.12.2022 RMB'000
Net assets of ETC	110,082
Proportion of the Group's ownership interest in ETC	36.17%
	39,817
Goodwill	168,075
Exchange adjustment of Goodwill	12,271
Effect of fair value adjustment at acquisition	24,841
Other adjustments	2,111
Carrying amount of the Group's interest in ETC	247,115

18. INTANGIBLE ASSETS

	Exclusive distribution rights	Patent rights	Product rights	Others	Total
	RMB'000 (Note a & Note b(i))	RMB'000 (Note b)	RMB'000 (Note c)	RMB'000	RMB'000
COST					
At 1 January 2021	2,111,920	320,431	872,656	-	3,305,007
Acquired on acquisition of subsidiaries (note 42)	101,509	38,706	-	90	140,305
At 31 December 2021	2,213,429	359,137	872,656	90	3,445,312
Transfer from deposits paid for acquisition of intangible assets	9,650	-	-	-	9,650
Acquired on acquisition of subsidiaries (note 42)	5,248	-	-	1,597	6,845
At 31 December 2022	2,228,327	359,137	872,656	1,687	3,461,807
AMORTISATION					
At 1 January 2021	546,326	160,256	276,509	-	983,091
Charge for the year	112,380	10,534	41,229	53	164,196
At 31 December 2021	658,706	170,790	317,738	53	1,147,287
Charge for the year	113,905	10,534	41,228	102	165,769
At 31 December 2022	772,611	181,324	358,966	155	1,313,056
IMPAIRMENT LOSS					
At 1 January 2021 and 31 December 2021	24,730	57,598	-	-	82,328
Recognised in the year	-	-	-	-	-
At 31 December 2022	24,730	57,598	-	-	82,328
CARRYING VALUES					
At 31 December 2022	1,430,986	120,215	513,690	1,532	2,066,423
At 31 December 2021	1,529,993	130,749	554,918	37	2,215,697

Notes:

(a) Exclusive distribution rights

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

18. INTANGIBLE ASSETS - continued

Notes: - continued

(a) Exclusive distribution rights - continued

(i) - continued

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

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

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

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

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

18. INTANGIBLE ASSETS - continued

Notes: - continued

(a) Exclusive distribution rights - continued

(ii) - continued

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

During the years ended 31 December 2022 and 2021, management reviews the performance of the Three Products and concludes that there is no indication that the impairment losses previously recognised no longer exist or have decreased.

As at 31 December 2022 and 2021, the exclusive distribution rights are fully impaired.

(iii) On 26 February 2016, the Group entered into an exclusive license agreement with AstraZeneca AB, an independent third party, pursuant to which AstraZeneca AB granted an exclusive license to the Group for the commercialisation of Plendil (Felodipine Sustained Release Tablet) in the PRC, at a consideration of US$310,000,000 (equivalent to approximately RMB2,029,012,000). US$155,000,000 had been paid in 2016 and the remaining balance of US$155,000,000 had been paid in 2017. As at 31 December 2022, the carrying amount of the exclusive distribution right was approximately RMB1,335,766,000 (2021: RMB1,437,217,000).

Under the exclusive license agreement, the Group has agreed to meet certain pre-agreed annual sales target in relation to the sales of Pendil in the PRC for the first three years of the term of the exclusive license agreement from years ended 31 December 2016 to 2018 and the annual sales target of respective years has been met. No additional annual sales target is required under the exclusive license agreement during the years ended 31 December 2022 and 2021.

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

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

18. INTANGIBLE ASSETS - continued

Notes: - continued

(a) Exclusive distribution rights - continued

(iv) - continued

The fair value of the exclusive agency rights at the date of acquisition was determined based on the royalty rate method by capitalising future royalty income which a market participant would be willing to pay to use the exclusive agency rights for the remaining term of the exclusive agency rights. As at the acquisition date, the exclusive agency rights of prescription medical aesthetic products owned by Luqa amounted to RMB101,509,000. As at 31 December 2022, the carrying amount was approximately RMB79,704,000 (2021: RMB90,880,000).

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

(b) Acquisition of exclusive distribution rights and patent rights

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

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

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

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

18. INTANGIBLE ASSETS - continued

Notes: - continued

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

(i) - continued

During the year ended 31 December 2022 and 2021, management reviews the performance of YiNuoShu and concludes that there is no indication that the impairment loss previously recognised no longer exist or have decreased.

As at 31 December 2022 and 2021, the carrying amounts of patent rights of YiNuoShu and ShaDuoLiKa and exclusive distribution rights owned by Tianjin Kangzhe were nil, nil and nil, respectively.

The Group also acquired the exclusive distribution right and patent right of XiDaKang amounting to RMB5,813,000 and RMB7,715,000, respectively through the acquisition of a former subsidiary, Kangzhe Guangming. As at 31 December 2022, the carrying amount of the exclusive distribution right and patent right of XiDaKang were approximately RMB1,597,000 and RMB1,248,000, respectively (2021: RMB1,896,000 and RMB1,478,000).

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

(ii) On 27 December 2013, the Group entered into a transfer agreement with the shareholders of non-controlling interests of Kangzhe Guangming (the "Sellers") in connection with the transfer of the patent right of XiDaKang at a consideration of RMB40,000,000. The Sellers, who directly held 49% equity interest of Kangzhe Guangming, agreed to transfer the 49% interest in the patent right of XiDaKang to Kangzhe Hunan, a wholly-owned subsidiary of the Company. The consideration will be settled by the first payment of RMB30,000,000 and annual payment of RMB1,000,000 to the Kangzhe Guangming over the next ten years. The directors of the Company recognised the payable as a deferred consideration payable (see note 30) in the amount of RMB6,145,000 at initial recognition which represents the present value of the annual consideration of RMB1,000,000 over next ten years discounted at 10%. Pursuant to the transfer agreement, the 51% interest in the patent right of XiDaKang was also transferred from Kangzhe Guangming to Kangzhe Hunan. Starting from 27 December 2013, Kangzhe Hunan has replaced Kangzhe Guangming as the patent right owner of XiDaKang. As at 31 December 2022, the carrying amount of the patent right was approximately RMB13,451,000 (2021: RMB15,973,000).

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

18. INTANGIBLE ASSETS - continued

Notes: - continued

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

(iii) The Group acquired 100% of equity interest in Kangzhe Lengshuijiang Pharmaceutical Co., Ltd. (formerly known as Sinopharm Traditional Chinese Medicine Lengshuijiang Pharmaceutical Co., Ltd.) ("Kangzhe Lengshuijiang") on 28 February 2013. This included the acquisition of the patent right of GanFuLe. The patent right was measured at their fair values at the date of acquisition and the valuation of the intangible assets was performed by Vigers Appraisal & Consulting Limited, an independent valuer.

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

During the year ended 31 December 2016, Kangzhe Lengshuijiang was deregistered and merged with Kangzhe Hunan. The assets and liabilities held by Kangzhe Lengshuijiang were transferred to Kangzhe Hunan at the time of merger and Kangzhe Hunan is responsible for the production of GanFuLe after the merger. As at 31 December 2022, the carrying amount of the patent right of GanFuLe was approximately RMB2,611,000 (2021: RMB3,973,000).

The expected useful live of the patent right is 11 years.

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

The fair value of the patent right at the date of acquisition was determined based on the royalty rate method by capitalising future royalty income which a market participant would be willing to pay to use the patents for the remaining term of the patent right. As at the acquisition date, the patent right of DanShenTong owned by Xili Pharmaceutical, amounted to RMB114,489,000. As at 31 December 2022, the carrying amount was approximately RMB64,199,000 (2021: RMB70,619,000).

The expected useful live of the patent right is 18 years.

18. INTANGIBLE ASSETS - continued

Notes: - continued

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

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

The fair value of the patent right at the date of acquisition was determined based on the royalty rate method by capitalising future royalty income which a market participant would be willing to pay to use the patent right for the remaining term of the patent right. As at the acquisition date, the patent right of the medical aesthetic device owned by Carnation amounted to RMB38,706,000. As at 31 December 2022. The related patent is not yet available for use and are not amortised.

The expected useful life of the patent rights is 10 years.

(c) Acquisition of product rights

(i) On 1 July 2014, the Group entered into a series of agreements related to Stulln with an independent third party, Pharma Stulln GmbH ("Pharma") in connection with the transfer of all assets related to Stulln for the Chinese market (including Hong Kong and Macau Special Administration Regions ("SAR")), including but not limited to the right of manufacturing Stulln for the Chinese market, marketing authorisation for the Chinese market and relevant intellectual property rights, including trademark in Chinese characters and know-how of Stulln, and has been licensed the exclusive right to utilise the trademark in English characters, at a consideration of EUR10,000,000 (equivalent to approximately RMB72,317,000). During the year ended 31 December 2014, the residual balance of the exclusive agency right of Stulln of approximately RMB14,625,000 was transferred to product right accordingly. As at 31 December 2022, the carrying amount of the product right was approximately RMB43,887,000 (2021: RMB47,703,000).

The expected useful life of the product right is 20 years.

18. INTANGIBLE ASSETS - continued

Notes: - continued

(c) Acquisition of product rights - continued

(ii) On 17 December 2014, the Group entered into a series of agreements related to Lamisil Tablet and Parlodel Tablet (the "Products") with two independent third parties, Novartis AG and Novartis Pharma AG, the suppliers of the Products in Switzerland in connection with the transfer of all assets related to the Products, including the drug production license of Lamisil Tablet, co-marketing authorisation in Switzerland and imported drug license in China of Parlodel Tablet, all know-how, books and records, commercial and medical information exclusively to the Products for Chinese market (For Lamisil Tablet, Chinese market refers to Chinese Mainland; For Parlodel Tablet, Chinese market refers to Chinese Mainland and Hong Kong SAR and Taiwan), at a consideration of US$25,000,000 (equivalent to approximately RMB152,972,000). As at 31 December 2022, the carrying amount was approximately RMB97,404,000 (2021: RMB105,521,000).

The expected useful life of the product rights is 20 years.

(iii) On 25 March 2015, the Group entered into a series of agreements related to Combizym and Hirudoid (the "Purchased Products") with an independent third party, DKSH International AG, in connection with the purchase of (i) all trademarks regarding the Purchased Products; (ii) all market authorisations or similar licenses, certificates or approvals regarding the Purchased Products and all rights, benefits or other interests obtained; (iii) the exclusive right and title to develop, manufacture, register, apply for registration, import, market, distribute, sell or otherwise use and/or exploit the Purchased Products; and (iv) all books and records, commercial information and medical information related to the Purchased Products, with respect to Combizym in China, Hong Kong and Switzerland, and certain other designated countries or areas in Asia, and with respect to Hirudoid in China, at a consideration of Swiss Franc ("CHF") 76,600,000 (equivalent to approximately RMB486,019,000). As at 31 December 2022, the carrying amount was approximately RMB314,717,000 (2021: RMB340,409,000).

The expected useful life of the product rights is 20 years.

(iv) On 30 December 2014, the Group entered into an agreement related to Movicol (the "Product") with an independent third party, Norgine B.V., in connection with the purchase of the right to import, register, market, distribute, promote and sell the Product in the PRC including Hong Kong and Macau (the "Product Right"), at a consideration of EUR9,000,000 (equivalent to approximately RMB72,100,000), and such consideration has been recognised as deposit paid for acquisition of intangible asset as the Product is still under still under approval by the regulatory body. During the year ended 31 December 2019, the commercialisation of the Product has been approved by relevant regulatory body and therefore, the deposit has been transferred to intangible assets as it is probable that the expected future economic benefits that are attributable to the Product Right will flow to the Group. As at 31 December 2022, the carrying amount was approximately RMB57,680,000 (2021: RMB61,285,000).

The expected useful life of the product rights is 20 years.

19. GOODWILL

	RMB'000
COST	
At 1 January 2021	1,384,535
Arising on acquisition of subsidiaries (note 42)	496,644
At 31 December 2021	1,881,179
Arising on acquisition of subsidiaries (note 42)	34,814
At 31 December 2022	1,915,993
IMPAIRMENT LOSS	
At 1 January 2021	170,000
Impairment loss recognised during the year	20,000
At 31 December 2021	190,000
Impairment loss recognised during the year	60,000
At 31 December 2022	250,000
CARRYING VALUES	
At 31 December 2022	1,665,993
At 31 December 2021	1,691,179

For the purposes of impairment testing, the entire amount of goodwill has been allocated to nine (2021: seven) CGUs, representing nine (2021: seven) subsidiaries, namely Tianjin Kangzhe, Kangzhe Hunan, Sky United Trading Limited ("Sky United"), Xili Pharmaceutical, Tibet Kangzhe Development, Luqa, Carnation, Xuli and Heling (as defined in note 42) (2021: Tianjin Kangzhe, Kangzhe Hunan, Sky United, Xili Pharmaceutical, Tibet Kangzhe Development, Luqa and Carnation.). Tianjin Kangzhe is engaged in marketing, promotion and sale of drugs. Sky United and Tibet Kangzhe Development are engaged in trading of drugs. Kangzhe Hunan and Xili Pharmaceutical are engaged in production of medicines. Luqa and Xuli are engaged in sales of medical aesthetic products. Carnation is engaged in research and development and manufacture of energy-based medical aesthetic devices. Heling is engaged in research, development and production of skincare products. The carrying amounts of goodwill (net of accumulated impairment losses) allocated to these units are as follows:

	2022 RMB'000	2021 RMB'000
Tianjin Kangzhe	990,333	990,333
Kangzhe Hunan	21,295	21,295
Sky United	2,963	2,963
Xili Pharmaceutical	118,090	178,090
Tibet Kangzhe Development	1,854	1,854
Luqa	460,002	460,002
Carnation	36,642	36,642
Xuli	30,576	-
Heling	4,238	-
	1,665,993	1,691,179

19. GOODWILL - continued

The recoverable amounts of Tianjin Kangzhe, Kangzhe Hunan, Sky United, Xili Pharmaceutical, Tibet Kangzhe Development, Luqa, Carnation, Xuli and Heling are determined based on value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past performance and expectations of future changes in the market.

Tianjin Kangzhe

At 31 December 2022, the impairment review is determined based on cash flow projections which were derived from the financial budgets approved by management covering a five-year period, with a discount rate of 13.0% (2021: 12.5%). Tianjin Kangzhe's cash flows beyond the five-year period are extrapolated using a growth rate of 3% (2021: 3%). This growth rate is based on management's best estimate and past experience on the industry.

During the year ended 31 December 2022 and 2021, no impairment loss was recognised.

Kangzhe Hunan

At 31 December 2022, the impairment review is determined based on cash flow projections which were derived from the financial budgets approved by management covering a five-year period, with a discount rate of 12.9% (2021: 12.7%). Kangzhe Hunan's cash flows beyond the five-year period are extrapolated using a growth rate of 3% (2021: 3%). This growth rate is based on management's best estimate and past experience on the industry.

During the years ended 31 December 2022 and 2021, no impairment loss was recognised.

Xili Pharmaceutical

At 31 December 2022, the impairment review is determined based on cash flow projections which were derived from the financial budgets approved by management covering a five-year period, with a discount rate of 14.9% (2021: 13.1%). Xili Pharmaceutical's cash flows beyond the five-year period are extrapolated using a growth rate of 3% (2021: 3%). This growth rate is based on management's best estimate and past experience on the industry.

During the year 31 December 2022, the directors of the Company further reviewed the carrying amount of the CGU of Xili and identified that the recoverable amount of the CGU is less than the carrying amount of assets of the CGU. The directors of the Company had consequently determined impairment of goodwill amounted to approximately RMB60,000,0000. The impairment loss had been included in "other gains or losses" line item. No impairment on other assets of Xili Pharmaceutical was considered necessary. The recoverable amount of Xili Pharmaceutical amounted to RMB333,026,000 as at 31 December 2022

If the discount rate was changed to 15.9% while other parameters remain constant, the recoverable amount of Xili Pharmaceutical as at 31 December 2022 would reduce to RMB306,456,000 and a further impairment of goodwill of RMB14,269,000 would be recognised.

19. GOODWILL - continued

Xili Pharmaceutical - continued

During the year 31 December 2021, there was decline in financial performance of Xili Pharmaceutical for the year and expected continuous decline in the forecast period. The directors of the Company had consequently determined impairment of goodwill amounted to approximately RMB20,000,000. The impairment loss had been included in "other gains or losses" line item. No impairment on other assets of Xili Pharmaceutical was considered necessary. The recoverable amount of Xili Pharmaceutical amounted to RMB363,040,000 as at 31 December 2021.

If the discount rate was changed to 14.1% while other parameters remain constant, the recoverable amount of Xili Pharmaceutical as at 31 December 2021 would reduce to RMB330,856,000 and a further impairment of goodwill of RMB16,739,000 would be recognised.

Luqa

At 31 December 2022, the impairment review is determined based on cash flow projections which were derived from the financial budgets approved by management covering a five-year period, with a discount rate of 15.2% (2021: 14.8%). Luqa's cash flows beyond the five-year period are extrapolated using a growth rate of 3% (2021: 3%). This growth rate is based on management's best estimate and past experience on the industry. During the year ended 31 December 2022 and 2021, no impairment loss was recognised.

Carnation

At 31 December 2022, the impairment review is determined based on cash flow projections which were derived from the financial budgets approved by management covering a five-year period, with a discount rate of 25.2% (2021: 24.2%). Carnation's cash flows beyond the five-year period are extrapolated using a growth rate of 3% (2021: 2%). This growth rate is based on management's best estimate and past experience on the industry. During the year ended 31 December 2022 and 2021, no impairment loss was recognised.

Xuli

At 31 December 2022, the impairment review is determined based on cash flow projections which were derived from the financial budgets approved by management covering a five-year period, with a discount rate of 14.0%. Xuli's cash flows beyond the five-year period are extrapolated using a growth rate of 3%. This growth rate is based on management's best estimate and past experience on the industry. During the year ended 31 December 2022, no impairment loss was recognised.

The goodwill of Sky United, Tibet Kangzhe Development and Heling was immaterial as at the end of both reporting periods. No impairment loss was recognised for both years.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(a) Financial assets at FVTPL

	2022 RMB'000	2021 RMB'000
Listed investments:		
Equity securities listed on the Shanghai Stock Exchange (the "SSE") (Note i)	-	610
Unlisted investments:		
Capital funds (Note ii)	734,102	382,824
Equity securities (Note iii)	757,234	594,440
	1,491,336	977,264
Total	1,491,336	977,874

Notes:

(i) The listed equity investment represents ordinary shares of one entity listed on the SSE. The investment is held for trading and its fair value is based on the quoted market price.

(ii) During the year ended 31 December 2022, the Group further invested approximately RMB301,178,000(2021: RMB330,408,000) into various capital funds. As at 31 December 2022, the fair values of these capital funds amounted to RMB734,102,000 (2021: RMB382,824,000), and a gain on change in fair value of RMB50,100,000 (2021: loss of RMB48,532,000) has been recognised in profit and loss.

A&B (HK) Company Limited ("A&B"), a company wholly-owned by a controlling shareholder of the Company, also had invested in certain capital funds invested by the Group. As at 31 December 2022, the fair values of these capital funds were RMB8,693,000 (2021: RMB6,117,000)

(iii) During the year ended 31 December 2022, the Group invested approximately RMB62,460,000 (2021: RMB527,316,000) in unlisted equity investments. As at 31 December 2022, the fair values of the equity investments amounted to RMB757,234,000 (2021: RMB594,440,000), and a gain on change in fair value of RMB100,334,000 (2021: RMB67,124,000) has been recognised in profit and loss.

A&B also had equity interest in a certain unlisted equity investment invested by the Group. As at 31 December 2022, the fair value of the unlisted equity investment was RMB 3,138,000 (2021: RMB1,767,000)

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/ EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME- continued

(b) Equity instruments at FVTOCI

	2022 RMB'000	2021 RMB'000
Listed investments:		
Equity securities listed on		
London Stock Exchange Plc (the "LSE") (Note i)	16,493	39,330
Euronext N.V. (the "ENV") (Note ii)	38,416	24,239
New York Stock Exchange (the "NYSE") (Note iii)	9,092	-
	64,001	63,569
Unlisted investments:		
Equity securities (Note iv)	233,047	336,902
Total	297,048	400,471

The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

(i) The listed equity investment represents ordinary shares of the following two (2021: two) entities listed on LSE. The investments are denominated in British Pound ("GBP") and the fair values are based on the quoted market price.

(a) Midatech Pharma Plc ("Midatech") - the Group invested approximately GBP4,000,000 (equivalent to RMB34,705,000) in Midatech during year ended 31 December 2019.

(b) Destiny Pharma Plc ("Destiny") - the Group first invested approximately GBP 3,000,000 (equivalent to RMB 26,291,000) in Destiny during the year ended 31 December 2017. The Group further invested GBP1,000,000 (equivalent to RMB8,435,000) in Destiny during the year ended 31 December 2020.

As at 31 December 2022, the fair values of these two equity securities amounted to RMB16,493,000 (2021: RMB39,330,000), and a loss on change in fair value of RMB22,837,000 (2021: a fair value gain of RMB6,086,000) has been recognised in other comprehensive income.

As at 31 December 2022 and 2021, A&B also had equity interest in Midatech and Destiny.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/ EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME- continued

(b) Equity instruments at FVTOCI - continued

(ii) The listed equity investment represents ordinary shares of Acticor Biotech ("Acticor"), which became listed on ENV on 1 November 2021. The Group first invested approximately EUR4,000,000 (equivalent to RMB30,607,000) in Acticor during the year ended 31 December 2018. The Group further invested EUR 1,000,000 (equivalent to RMB7,595,000) in Acticor during the year ended 31 December 2021. The investment is denominated in EUR and the fair value is based on the quoted market price.

As at 31 December 2022, the fair value of the equity investment amounted to RMB38,416,000 (2021: RMB24,239,000), and a gain on change in fair value of RMB14,177,000 (2021: a fair value loss of RMB13,963,000) has been recognised in other comprehensive income.

As at 31 December 2022 and 2021, A&B also had equity interest in Acticor.

(iii) The listed equity investment represents ordinary shares of Gelesis Holdings, Inc. ("Gelesis"), which became listed on NYSE on 18 January 2022. The Group first invested approximately US$20,000,000 (equivalent to RMB142,633,000) in Gelesis during the year ended 31 December 2020. The Group further invested US$ 15,000,000 (equivalent to RMB95,615,000) in Gelesis during the year ended 31 December 2022. The investment is denominated in US$ and the fair value is based on the quoted market price.

As at 31 December 2022, the fair value of the equity investment amounted to RMB9,092,000 (2021: RMB114,256,000), and a loss on change in fair value of RMB200,780,000 (2021: RMB28,376,000) has been recognised in other comprehensive income.

(iv) The unlisted equity investments represent the Group's equity interests in the various biotech/ pharmaceutical companies.

During the year ended 31 December 2022, the Group further invested approximately RMB nil (2021: RMB2,606,000) into the unlisted equity investments except Gelesis, which was transferred into listed investment during the year ended 31 December 2022, of which the balance was RMB114,256,000 as at 31 December 2021.

As at 31 December 2022, the fair values of the equity investments amounted to RMB233,047,000 (2021: RMB336,902,000). The fair values of the above unlisted equity investments were performed by a professional independent valuer. During the years ended 31 December 2022, a gain on change in fair value of RMB13,243,000 (2021: RMB10,938,000) has been recognised in other comprehensive income.

A&B also had equity interest in certain unlisted equity investments invested by the Group.

21. INVENTORIES

	2022 RMB'000	2021 RMB'000
Raw materials	9,739	24,993
Work in progress	32,243	24,257
Finished goods	435,224	423,348
	477,206	472,598

22. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2022 RMB'000	2021 RMB'000
Trade receivables	1,451,678	1,405,322
Less: Allowance for credit losses	(9,643)	(9,533)
	1,442,035	1,395,789
Bills receivables	269,579	453,350
Purchase prepayments	211,746	213,125
Other receivables and deposits	120,584	141,738
	2,043,944	2,204,002

As at 1 January 2021, trade receivables from contracts with customers amounted to RMB1,047,948,000.

The Group normally allows a credit period ranging from 0 to 90 days to its trade customers, but longer credit period up to four months is allowed to some selected customers.

The following is an analysis of trade receivables by age, net of allowance for credit losses presented based on the dates of receipt of goods at the respective reporting dates, which approximate the revenue recognition dates and an analysis of bill receivables by age, net of allowance for credit losses, presented based on the bills issuance date at the end of the reporting period:

	2022 RMB'000	2021 RMB'000
Trade receivables		
0 - 90 days	1,363,828	1,297,684
91 - 365 days	57,802	98,105
Over 365 days	20,405	-
	1,442,035	1,395,789
Bill receivables		
0 - 90 days	185,133	306,457
91 - 120 days	31,241	51,281
121 - 180 days	53,205	95,612
	269,579	453,350

22. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS - continued

As at 31 December 2022, total bills receivables amounting to RMB269,579,000 (2021: RMB453,350,000) are held by the Group. All bills receivables by the Group are accepted by banks with a maturity period of less than six months.

As at 31 December 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB95,554,000 (2021: RMB56,942,000) which are past due at the reporting date. RMB30,622,000 (2021: RMB30,570,000) was more than 90 days past due and is not considered as in default. Based on the historical experiences of the Group, trade receivables past due are generally recoverable due to the long term relationship and good repayment record.

The Group does not hold any collateral over these balances.

Details of impairment assessment of trade and other receivables as at 31 December 2022 and 2021 are set out in note 36.

23. DEPOSITS PAID FOR ACQUISITION OF INTANGIBLE ASSETS

	2022 RMB'000	2021 RMB'000
Deposits paid for acquisition of intangible assets	1,285,415	790,483

Note: Included in the Deposits paid for acquisition of intangible assets, mainly approximately RMB394,356,000 (2021: RMB402,223,000), RMB215,307,000 (2021: nil), RMB140,693,000 (2021: RMB106,974,000), RMB77,000,000 (2021: nil), RMB40,824,000 (2021: RMB40,824,000), RMB32,625,000 (2021: RMB32,625,000), RMB45,000,000 (2021: RMB30,000,000), RMB33,761,000 (2021: nil), RMB27,904,000 (2021: RMB27,904,000), RMB36,000,000 (2021: RMB18,000,000) and RMB13,446,000 (2021: RMB13,446,000), have been paid to Sun Pharmaceutical Industrial Ltd., Incyte , Gelesis Inc., Wuxi App Tec (Shanghai) Co. Ltd., Medac Gesellschaft Fur Klinische Speziallpraparate M.B.H, Cosmo Technologies Ltd, Jiangxi Shimei Pharmaceutical Co., Ltd, YZY Biopharma, Ltd, Cadila Healthcare Limited, Shandong Innovative Drug Research and Development Co., Ltd and Can-Fite BioPharma., respectively. All these companies are independent third parties not connected with the Group. The deposits were paid for certain exclusive distribution/ product rights of medical products to be approved by relevant regulatory bodies for the sales in specific territories.

24. AMOUNT DUE FROM AN ASSOCIATE

As at 31 December 2022, the balance of approximately RMB30,000,000 (2021: RMB30,000,000) was non-trade nature and non-interest bearing, represented deposit to Tibet Pharmaceutical for exclusive distribution right.

As at 31 December 2022, the balance of approximately RMB328,072,000 (2021: RMB320,036,000) was trade nature and non-interest bearing, represented promotion income receivables from Tibet Pharmaceutical. The Group allows a credit period of 90 days to Tibet Pharmaceutical. The balance as at 31 December 2022 was aged within three months (2021: within three months) based on the invoice date.

25. BANK BALANCES AND CASH

Cash and cash equivalents/pledged/restricted bank deposits

Cash and cash equivalents include short term deposits for the purpose of meeting the Group's short term cash commitments, which carry interest at market rates range from 0.30% to 3.40% (2021: 0.30% to 3.40%). Included in bank balances are the following amounts denominated in currencies other than functional currency of the relevant group entities:

	2022 RMB'000	2021 RMB'000
Euro ("EUR")	26,132	9,566
Hong Kong Dollar ("HK$")	47,505	24,398
United States Dollar ("US$")	194,890	14,109
Confederation Helvetica Franc ("CHF")	1,266	2,059
Great Britain Pound ("GBP")	1,379	1,802
Philippines Peso ("PHP")	1,548	-
Singapore Dollar ("SGD")	2,591	-

Details of the impairment of bank balances are set out in note 36.

26. TRADE AND OTHER PAYABLES

An aging analysis of the trade payables presented based on the invoice date at the end of the reporting periods is as follows:

	2022 RMB'000	2021 RMB'000
0 - 90 days	164,837	142,639
91 - 365 days	11,715	2,757
Over 365 days	1,457	502
Trade payables	178,009	145,898
Payroll and welfare payables	200,360	280,000
Other tax payables	61,318	38,031
Accrued promotion expenses	71,273	61,229
Accrued sales rebates	-	50,000
Accruals	34,743	35,098
Other payables	17,491	19,291
	563,194	629,547

The credit period on purchases of goods is ranging from 0 to 120 days.

27. LEASE LIABILITIES

	2022 RMB'000	2021 RMB'000
Lease liabilities payable:		
Within one year	15,804	16,922
Within a period of more than one year but not more than two years	8,601	10,530
Within a period of more than two years but not more than five years	4,890	7,280
	29,295	34,732
Less: Amount due for settlement with 12 months shown under current liabilities	(15,804)	(16,922)
Amount due for settlement after 12 months shown under non-current liabilities	13,491	17,810

28. CONTRACT LIABILITIES

	2022 RMB'000	2021 RMB'000
Receipts in advance from customers - finished goods	21,614	23,715

As at 1 January 2021, contract liabilities amounted to RMB14,406,000.

The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities.

	2022 RMB'000	2021 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	23,715	14,406

When the Group receives a deposit from customers before the goods are delivered to and received by the customers, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit.

29. BANK BORROWINGS

	2022 RMB'000	2021 RMB'000
Bank loans	1,783,337	1,677,573
Analysed as:		
Unsecured	1,783,337	1,677,573

	2022 RMB'000	2021 RMB'000
The carrying amounts of the above borrowings are repayable*:		
Within one year	1,783,337	1,103,760
Within a period of more than one year but not exceeding two years	-	573,813
	1,783,337	1,677,573
Less: Amounts due within one year shown under current liabilities	(1,783,337)	(1,103,760)
Amounts shown under non-current liabilities	-	573,813

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The ranges of effective interest rates (which are also equal to contractual interest rate) on the Group's borrowings and their carrying values are as follows:

	2022 RMB'000	2021 RMB'000
Variable-rate borrowings		
Denominated in HK$ range from 4.87% to 5.30% per annum as at 31 December 2022 (2021: 0.77% to 0.85%) (Note a & c)	1,281,886	1,103,760
Denominated in US$ range from 5.29% to 6.17% per annum as at 31 December 2022 (2021: from 0.80% to 1.46%) (Notes b & c)	501,451	573,813
Total	1,783,337	1,677,573

29. BANK BORROWINGS - continued

Notes:

(a) Variable rates range from Hong Kong Interbank Offered Rate ("HIBOR") plus 0.52% to HIBOR plus 0.95% as at 31 December 2022 (2021: HIBOR plus 0.62% to HIBOR plus 0.7%).

(b) Variable rates range from LIBOR plus 0.7% to LIBOR plus 1.25% as at 31 December 2022 (2021: LIBOR plus 0.7% to LIBOR plus 1.25%).

(c) As at 31 December 2022, the Group uses interest rate swaps to minimise its exposure to interest rate movements on the variable-rate bank borrowings of approximately RMB1,113,362,000 (2021: RMB573,813,000). The principal amount of the variable-rate bank borrowings will be repayable on 24 March 2023, 27 March 2023 and 25 April 2023 (2021: 24 March 2023 and 27 March 2023). Details of the interest rate swaps are disclosed in note 32.

As at 31 December 2022, the Group had unutilised banking facilities of approximately RMB2,027,858,000 (2021: RMB500,000,000).

30. DEFERRED CONSIDERATION PAYABLES

	2022 RMB'000	2021 RMB'000
Non-current	909	736
Current	1,000	2,000
	1,909	2,736

During the year ended 31 December 2013, the Group acquired 49% interest in the patent right of XiDaKang for a consideration of RMB40,000,000 (see note 18(b) (ii)). In addition to the first payment of RMB30,000,000, further consideration is payable annually of RMB1,000,000 for 10 years commencing on 27 December 2014. The present value of the discounted consideration determined based on a discount rate of 10% amounting to RMB6,145,000 was accounted for by the Group as deferred consideration payable at initial recognition. As at 31 December 2022, the carrying value amounting to RMB1,909,000 (2021: RMB2,736,000) was included in deferred consideration payables.

31. DEFERRED TAX

The following are the deferred tax assets (liabilities) recognised and movements thereon during the current and prior years:

	Unrealised profits on inventories RMB'000	Fair value adjustments to assets acquired in business combinations RMB'000	Unrealised profit of equity instruments at FVTOCI RMB'000	Fair value change on cash flow hedges RMB'000	Unrealised profit of equity instruments at FVTPL RMB'000	Tax losses RMB'000	Others RMB'000	Total RMB'000
At 1 January 2021	19,587	(22,169)	(63,964)	971	-	-	1,201	(64,374)
Credit (charge) to profit or loss for the year (note 11)	244	3,018	-	-	(27,991)	15,027	-	(9,702)
Charge to other comprehensive income	-	-	-	(731)	-	-	-	(731)
Acquisitions of subsidiaries (note 42)	-	(12,469)	-	-	-	-	-	(12,469)
At 31 December 2021	19,831	(31,620)	(63,964)	240	(27,991)	15,027	1,201	(87,276)
Credit (charge) to profit or loss for the year (note 11)	3,247	3,294	-	-	(2,315)	(299)	-	3,927
Charge to other comprehensive income	-	-	-	(892)	-	-	-	(892)
Acquisitions of subsidiaries (note 42)	-	(1,711)	-	-	-	-	-	(1,711)
At 31 December 2022	23,078	(30,037)	(63,964)	(652)	(30,306)	14,728	1,201	(85,952)

The following is the analysis of the deferred tax assets (liabilities) for financial reporting purposes:

	2022 RMB'000	2021 RMB'000
Deferred tax assets	39,007	36,299
Deferred tax liabilities	(124,959)	(123,575)
	(85,952)	(87,276)

At 31 December 2022, the Group had unused tax losses of approximately RMB230,012,000 (2021: RMB156,276,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB91,990,000 (2021: RMB93,186,000) of such losses. No deferred tax asset has been recognised in respect of the remaining approximately RMB138,022,000 (2021: RMB63,090,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses at 31 December 2022 are tax losses of approximately RMB44,937,000 (2021: RMB29,189,000) that will expire within 5 years from the year of originating. Other tax losses may be carried forward indefinitely. During the year ended 31 December 2022, tax losses of approximately RMB907,000 (2021: RMB1,063,000) was expired.

31. DEFERRED TAX - continued

As at 31 December 2022, the Group had deductible temporary differences of RMB823,027,000 (2021: RMB782,687,000) available for offsetting against future profits. A deferred tax asset has been recognised in respect of RMB92,312,000 (2021: RMB79,324,000) of such deductible temporary difference. No deferred tax asset has been recognised in respect of the remaining balance of RMB730,715,000 (2021: RMB703,363,000) as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiary, from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB8,190,285,000 (2021: RMB7,077,285,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

32. DERIVATIVE FINANCIAL INSTRUMENTS

	2022 RMB'000	2021 RMB'000
Assets:		
Foreign exchange forward contracts	33,120	-
Derivative under hedging accounting		
- Cash flow hedges - interest rate swaps	8,901	-
	42,021	-
Analysed as:		
Current assets	42,021	-
Non-current assets	-	-
	42,021	-
Liabilities:		
Foreign exchange forward contracts	(562)	(9,332)
Derivative under hedging accounting		
- Cash flow hedges - interest rate swaps	-	(1,959)
	(562)	(11,291)
Analysed as:		
Current liabilities	(562)	-
Non-current liabilities	-	(11,291)
	(562)	(11,291)

Foreign exchange forward contracts

The Group uses foreign exchange forward contracts to minimise its exposure to exchange rate change on its bank borrowings. The foreign exchange forward contracts and the corresponding bank borrowings have the same principal amounts and maturity dates. Major terms of the foreign exchange forward contracts as at 31 December 2022 and 2021 are set out below:

32. DERIVATIVE FINANCIAL INSTRUMENTS - continued

Foreign exchange forward contracts - continued

At 31 December 2022

Notional amount	Maturity date	Exchange rate range agreed
US$32,000,000	20 March 2023	US$1: RMB6.3795 to RMB6.60
US$40,000,000	23 March 2023	US$1: RMB6.69 to RMB7.40
HK$685,000,000	25 April 2023	HK$1: RMB0.845 to RMB0.88
HK$750,000,000	7 September 2023	HK$1: RMB0.8910

At 31 December 2021

Notional amount	Maturity date	Exchange rate range agreed
US$40,000,000	23 March 2023	US$1:RMB6.69 to RMB7.40
US$5,000,000	23 March 2022	US$1:RMB6.69 to RMB7.40
US$5,000,000	21 September 2022	US$1:RMB6.69 to RMB7.40

During the year ended 31 December 2022, the fair value gain of approximately RMB41,889,000 (2021: the fair value loss of RMB10,063,000) has been recognised in "other gains and losses" line item (see note 7).

Interest rate swaps

The Group uses interest rate swaps to minimise its exposure to interest rate movements on its variable-rate bank borrowings. The interest rate swaps and the corresponding bank borrowings have the same terms, such as principal amounts, interest rate spread, start dates, repayment data, maturity and counterparties, and the directors of the Company consider that the interest rate swaps are highly effective hedging instruments. Major terms of the interest rate swaps as at 31 December 2022 and 2021 are set out below:

At 31 December 2022

Notional amount (Note)	Assets at carrying amount	Contract date	Maturity date	Receive	Pay
US$40,000,000	RMB2,373,000	27 March 2020	24 March 2023	LIBOR + 0.7%	1.74%
US$32,000,000	RMB2,224,000	27 March 2020	27 March 2023	LIBOR + 1.25%	1.89%
HK$685,000,000	RMB4,304,000	25 April 2022	25 April 2023	HIBOR + 0.52%	2.35%

At 31 December 2021

Notional amount (Note)	Liabilities at carrying amount	Contract date	Maturity date	Receive	Pay
US$50,000,000	RMB1,838,000	27 March 2020	24 March 2023	LIBOR + 0.7%	1.74%
US$40,000,000	RMB121,000	27 March 2020	27 March 2023	LIBOR + 1.25%	1.89%

Note: The notional amount will be expired on 24 March 2023, 27 March 2023 and 25 April 2023 (2021: 24 March 2023 and 27 March 2023), which are the same as corresponding bank borrowings.

32. DERIVATIVE FINANCIAL INSTRUMENTS - continued

Interest rate swaps - continued

The fair values of interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates. All of the above interest rate swaps are designated and effective as cash flow hedges. During the year ended 31 December 2022, the fair value gain of approximately RMB10,861,000 (2021: fair value gain of approximately RMB3,929,000), income tax of approximately RMB892,000 (2021: RMB731,000), resulting in a net amount of approximately RMB9,969,000 (2021: RMB3,198,000) have been recognised in other comprehensive income and accumulated in equity and are expected to be released to profit or loss at various dates during the lives of the swaps when the hedged interest expense is recognised in profit or loss.

33. SHARE CAPITAL

	Number of shares '000	Amount RMB'000
Ordinary shares of US$0.005 each		
Authorised		
At 1 January 2021, 31 December 2021 and 31 December 2022	20,000,000	765,218
Issued and fully paid		
At 1 January 2021	2,470,761	84,634
Shares repurchased and cancelled (Note)	(13,317)	(457)
At 31 December 2021	2,457,444	84,177
Shares repurchased and cancelled (Note)	(5,455)	(186)
At 31 December 2022	2,451,989	83,991

Note: During the year ended 31 December 2022, the Company repurchased its own ordinary shares through The Stock Exchange of Hong Kong Limited as follows:

Month of repurchase	No. of ordinary shares of US$0.005 each	Price per share Highest HK$	Price per share Lowest HK$	Aggregated consideration paid HK$
March 2022	130,000	11.34	11.04	1,447,520
April 2022	3,600,000	11.90	10.46	40,227,820
May 2022	1,000,000	11.16	10.64	10,976,200
September 2022	545,000	9.84	9.22	5,147,640
October 2022	180,000	9.08	8.90	1,616,220
Total	5,455,000			59,415,400

33. SHARE CAPITAL - continued

During the year ended 31 December 2021, the Company repurchased its own ordinary shares through The Stock Exchange of Hong Kong Limited as follows:

Month of repurchase	No. of ordinary shares of US$0.005 each	Price per share		Aggregated consideration paid
		Highest	Lowest	
		HK$	HK$	HK$
August 2021	2,190,000	15.62	14.60	32,748,420
September 2021	4,435,000	15.10	14.04	65,378,180
November 2021	6,692,000	13.18	12.48	85,472,060
Total	13,317,000			183,598,660

The above ordinary shares were cancelled upon repurchase.

Save as disclosed above, none of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the years ended 31 December 2022 and 2021.

34. RESERVES

Capital reserve

Capital reserve resulted from transactions between the Group and its shareholders. It mainly represents equity shares of Shenzhen Kangzhe granted by Mr. Lam Kong, a director and former shareholder of Shenzhen Kangzhe, to certain employees for their services rendered in prior year, rights granted by Mr. Lam Kong to certain employees to receive cash at a pre-determined formula for their services rendered in prior year, waiver of an advance to the Company by Mr. Lam Kong in 2006, discount on acquisitions of additional interest in subsidiaries from Mr. Lam Kong in 2004 and 2005, the difference between the transfer of the entire interest in Shenzhen Kangzhe to Sino Talent Limited ("Sino Talent") pursuant to the group restructuring in 2005 and the nominal value of Shenzhen Kangzhe's share capital, and difference between the par value of shares issued by the Company for the entire interest in CMS International Limited ("CMS International") and Healthlink Consultancy Inc. ("Healthlink") pursuant to the group reorganisation in 2006 and the nominal value of the issued share capital of CMS International and Healthlink in preparation for the listing of the Company's shares. The balance was reduced by the capitalisation issue in 2007. The equity shares and rights granted by Mr. Lam Kong to certain employees had been terminated on or before 2006.

On 19 April 2010, the Group acquired an additional interest in Sky United. An amount of approximately RMB15,026,000, representing the excess of the fair value of the new ordinary shares issued by the Company over the decrease in the carrying value of the non-controlling interest is charged to capital reserve.

During the year ended 31 December 2010, a deemed distribution to a shareholder was charged to capital reserve in respect of expenses incurred for a shareholder during the initial public offering exercise by the Company.

34. RESERVES - continued

Surplus reserve fund

Articles of Association of the Group's subsidiaries established in the PRC require the appropriation of certain percentage of their profit after taxation each year to the surplus reserve fund until the balance reaches 50% of the registered capital of the relevant subsidiaries. In normal circumstances, the surplus reserve fund shall only be used for making up losses, capitalisation into registered capital and expansion of the subsidiaries' production and operation. For the capitalisation of surplus reserve fund into registered capital, the remaining amount of such reserve shall not be less than 25% of the registered capital.

35. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year. The capital structure of the Group consists of cash and cash equivalents, bank borrowings, obligation arising from put options and equity attributable to owners of the Company, comprising issued share capital and reserves including accumulated profits.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs.

36. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2022 RMB'000	2021 RMB'000
Financial assets		
Derivative financial instruments		
- foreign exchange forward contracts	33,120	-
Derivative instruments under hedge accounting		
(cash flow hedges-interest rate swaps)	8,901	-
Financial assets at amortised cost	6,636,814	5,758,531
Equity instruments at FVTOCI	297,048	400,471
Financial assets at FVTPL	1,491,336	977,874
Financial liabilities		
At amortised cost	(2,344,879)	(2,277,911)
Derivative financial instruments		
- foreign exchange forward contracts	(562)	(9,332)
Derivative instruments under hedge accounting		
(cash flow hedges-interest rate swaps)	-	(1,959)

36. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, equity instruments at FVTOCI, trade and other receivables, loan receivable, amount due from an associate, derivative financial instruments, bank balances and cash, trade and other payables, lease liabilities, bank borrowings, deferred consideration payables and obligation arising from put options. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (interest rate risk, foreign currency risk and other price risk), credit risk, liquidity risk and risks arising from the interest rate benchmark reform. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk management

The Group is exposed to fair value interest rate risk in relation to lease liabilities (see note 27) and obligation arising from put options (see note 42). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (see note 25) and variable-rate bank borrowings (see note 29). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates at HIBOR and LIBOR arising from the Group's HK$ and US$ denominated borrowings. The Group aims at keeping borrowings at fixed rates. In order to achieve this result, the Group entered into interest rate swaps to hedge against its exposures to changes in cash flow of the LIBOR and HIBOR bank borrowings. The critical terms of these interest rate swaps are similar to those of hedged borrowings. These interest rates swaps are designated as effective hedging instruments and hedge accounting is used (see note 32).

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs") with alternative nearly risk-free rates. Details of the impacts on the Group's risk management strategy arising from the interest rate benchmark reform and the progress towards implementation of alternative benchmark interest rates are set out under "interest rate benchmark reform" in this note.

Interest income of RMB105,515,000 was earned (2021: RMB81,853,000) from financial assets that are measured at amortised cost (including cash and cash equivalents) for the year ended 31 December 2022.

Interest expense of RMB49,086,000 was incurred (2021: RMB28,270,000) on financial liabilities not measured at fair value through profit or loss that are measured at amortised cost for the year ended 31 December 2022.

Sensitivity analysis

The directors of the Company consider that the interest rate risk in relation to bank balances is not significant as the fluctuation of the interest rates on bank balances is minimal and therefore, bank balances are not included in the sensitivity analysis.

36. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Market risk - continued

Sensitivity analysis - continued

The sensitivity analyses below have been determined based on the exposure to interest rates, including derivatives which are designated as effective hedging instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point (2021: 50 basis point) increase or decrease in variable-rate bank borrowings and interest rate swaps designed to hedge cash flow interest rate risk are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2021: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2022 would decrease/increase by RMB2,797,000 (2021: RMB4,139,000). This is mainly attributable to the Group's exposure to interest rates on certain of its HIBOR bank borrowings

Foreign currency risk management

Some subsidiaries of the Company have foreign currency purchases, which expose the Group to foreign currency risk. Approximately 53% (2021: 44%) of the Group's purchases are denominated in currencies other than the functional currencies of the group entities making the purchase. All sales of the Group are denominated in functional currency of the group entities making the sale. Management conducts periodic review of exposure and settlements of various currencies, and will consider hedging significant foreign currency exposures should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets (representing financial assets at FVTPL, trade and other receivables, loan receivable and bank balances and cash) and monetary liabilities (representing trade and other payables, deferred consideration payables and bank borrowings) at the reporting date are as follows:

	Assets		Liabilities	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
US$	1,141,327	519,361	503,832	578,364
EUR	40,827	19,167	7,268	30,781
GBP	11,988	8,827	-	-
HK$	63,196	26,007	1,281,886	1,103,760
CHF	5,090	3,803	1,332	-
PHP	1,548	-	-	-

36. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Market risk - continued

Foreign currency risk management - continued

The Group is mainly exposed to currency risk of the US$, Eur, GBP, HK$ and CHF. The following table details the Group's sensitivity to a 5% (2021: 5%) increase and decrease in the functional currencies of the relevant group entities against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2021: 5%) change in foreign currency rates. The sensitivity analysis includes financial assets at FVTPL, derivative financial instruments, loan receivable, bank balances, trade and other payables, bank borrowings and deferred consideration payables of which the foreign currency exposures are not hedged with hedging instruments. A positive/negative number below indicates an increase/decrease in post-tax profit for the year where the functional currencies of the relevant group entities strengthen 5% (2021: 5%) against the relevant foreign currencies. If there is a 5% (2021: 5%) weakening in functional currencies of the relevant group entities against the relevant foreign currencies, there would be an equal and opposite impact on the profit for the year:

	2022 RMB'000	2021 RMB'000
RMB (as functional currency of the relevant group entities) against US$	(23,906)	2,213
RMB (as functional currency of the relevant group entities) against EUR	(1,258)	436
RMB (as functional currency of the relevant group entities) against GBP	(450)	(331)
RMB (as functional currency of the relevant group entities) against HK$	45,701	40,416
RMB (as functional currency of the relevant group entities) against CHF	(141)	(143)
RMB (as functional currency of the relevant group entities) against PHP	(58)	-

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure at the end of the reporting period does not reflect the exposure during both years.

Other price risk management

The Group is exposed to equity price risk through its investments in equity securities. The Group's equity price risk is mainly concentrated on equity instruments operating in pharmaceutical industry sector quoted in the LSE, ENV and NYSE.

36. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Market risk - continued

Other price risk management - continued

Sensitivity analysis

The following details the Group's sensitivity to a 10% (2021: 10%) increase and decrease in the quoted market price of the equity securities. 10% (2021: 10%) is the sensitivity rate used when reporting other price risk internally to key management personnel and represents management's assessment of the reasonably possible change in the quoted market price of the equity securities measured at FVTOCI. If there is a 10% (2021:10%) higher/lower in the quoted market price of the equity securities, the other comprehensive income would be increased/decreased by RMB6,400,000(2021: RMB6,357,000)

The management considers that the other price risk in respect of financial asset at FVTPL is minimal due to the insignificant balance as at 31 December 2022 and 2021.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade and other receivables, bank balances amount due from an associate and loan receivables. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed once a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. In addition, the Group performs impairment assessment under ECL model on trade balances individually or based on provision matrix based on share credit risk characteristics by reference to repayment history for recurring customers and current past due exposure for the new customers.

Except for the derivative financial instruments, financial assets at FVTPL and equity instruments at FVTOCI, the Group performed impairment assessment for financial assets and other items under ECL model.

36. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Credit risk and impairment assessment - continued

Trade receivables arising from contracts with customers

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed every year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. The Group only accepts bills issued or guaranteed by reputable PRC banks, if trade receivables are settled by bills and therefore the management of the Group considers the credit risk arising from the endorsed or discounted bills is insignificant.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which almost accounted for 100% (2021: 100%) of the total trade receivables as at 31 December 2022. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals.

In addition, the Group performs impairment assessment under ECL model on trade balances individually or based on provision matrix. Except for credit-impaired trade receivables, the remaining trade receivables are grouped under a provision matrix based on shared credit risk characteristics by reference to repayment histories for recurring customers and current past due exposure for new customers and forward looking information. Impairment of RMB45,000 (2021: RMB381,000) is recognised for the year ended 31 December 2022. Details of the quantitative disclosures are set out below in this note.

Bank balances

Credit risk on bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies. The Group assessed 12m ECL for bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on this, the 12m ECL on bank balances is considered to be insignificant.

Amount due from an associate

The Group regularly monitors the business performance of the associate. The Group's credit risk in this balance is mitigated through the value of the assets held by this entity and the power to participate in the financial and operating policy decision of this entity. The Group assessed the loss allowance for trade related balance with the associate on lifetime ECL basis and non-trade related balance with the associate on 12m ECL basis. The Group performs impairment assessment under ECL model on this trade balance individually and the directors of the Company believe that there are no significant increases in credit risk at the reporting date of these amounts and the trade receivables due from the associate have been subsequently settled. For the years ended 31 December 2022 and 2021, the Group assessed the ECL for amount due from an associate to be insignificant and thus no loss allowance was recognised.

36. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Credit risk and impairment assessment - continued

Other receivables and deposits

For other receivables and deposits, the directors of the Company make periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportable and forward-looking information available without undue costs or effort. The directors of the Company believe that there are no significant increase in credit risk at the reporting date of these amounts and most of the other receivables have been subsequently settled. For the years ended 31 December 2022 and 2021, the Group assessed the ECL for other receivables and deposits to be insignificant and thus no loss allowance for credit losses was recognised.

Loan receivable

The Group has a policy for assessing the impairment on loans receivables on individual basis. These debtors include a supplier of the Group and an entity in which the Group has invested in its equity interest and accounted for as equity instrument at fair value through other comprehensive income. The ECL rates are estimated based on the credit quality classification and forward-looking information, including but not limited to the financial status of each borrower.

Based on assessment by the management, the probability of default is low and the management considers the ECL for loan receivables is insignificant and therefore no loss allowance was recognised.

The Group's internal credit risk scoring assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Normal risk	The counterparty has either a low risk of default and does not have any past-due amounts or frequently settles after due dates but usually settle in full	Lifetime ECL - not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL - not credit-impaired	Lifetime ECL - not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

36. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Credit risk and impairment assessment - continued

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	Internal credit rating	12m or lifetime ECL	2022 Gross carrying amount		2021 Gross carrying amount	
				RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at amortised cost							
Trade receivables	22	Note 1	Lifetime ECL - not credit-impairment				
			Provision matrix	1,445,612		1,399,321	
		Loss	Credit-impaired	6,066	1,451,678	6,001	1,405,322
Bills receivables (Note 2)	22	Low risk	12m ECL	269,579		453,350	
Amount due from an associate (Notes 2 and 3)	24	Low risk	12m ECL	30,000		30,000	
			Lifetime ECL - Not credit-impaired	328,072	358,072	320,036	350,036
Bank balances (Note 2)	25	Low risk	12m ECL	4,376,376		3,385,739	
Other receivables and deposits (Note 2)	22	Low risk	12m ECL	120,584		141,738	
Loan receivable (Note 2)		Low risk	12m ECL	70,168		31,879	

Notes:

(1) For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for credit-impaired balances, the Group determines the expected credit losses on these items by using a provision matrix, grouped by internal credit rating.

Provision matrix - internal credit rating

As part of the Group's credit risk management, the Group applies internal credit rating for its customers. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix as at 31 December 2022 and 2021 within lifetime ECL (not credit-impaired). Debtors with credit-impaired with gross carrying amount of RMB6,066,000 as at 31 December 2022 (2021: RMB6,001,000) were assessed individually.

36. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Credit risk and impairment assessment - continued

Notes: - continued

(1) - continued

Gross carrying amount

Internal credit rating	2022 Average loss rate	2022 Trade receivables RMB'000	2021 Average loss rate	2021 Trade receivables RMB'000
Normal risk	0.2%	1,391,932	0.1%	1,313,638
Doubtful	2.7%	53,680	2.0%	85,683
		1,445,612		1,399,321

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended 31 December 2022, the Group provided RMB45,000 (2021: RMB381,000) impairment allowance for trade receivables based on provision matrix. Impairment allowance of RMB65,000 (2021: RMB924,000) were made on credit-impaired debtors.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2021	3,151	5,077	8,228
Impairment losses recognised	381	924	1,305
As at 31 December 2021	3,532	6,001	9,533
Impairment losses recognised	45	65	110
As at 31 December 2022	3,577	6,066	9,643

36. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Credit risk and impairment assessment - continued

Notes: - continued

(1) - continued

Gross carrying amount - continued

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over three years past due, whichever occurs earlier. The Group has taken legal action against the debtors to recover the amount due.

(2) The Group assessed the loss allowance for bills receivables, other receivables, bank balances, amount due from an associate and loan receivable on 12m ECL basis. In determining the ECL of the bank balances, the Group has taken into account the counterparties are reputable banks with high credit ratings assigned by international credit agencies and forward looking information as appropriate. The Group assessed 12m ECL for bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies and the management considers that the expected credit loss on the bank balances is immaterial. In determining the ECL other than the bank balances, the Group has taken into account the historical default experience and forward looking information as appropriate, including changes in growth rate of gross domestic product of the PRC. There had been no significant increase in credit risk since initial recognition. The Group has considered the consistently low historical default rate in connection with payments and concluded that the expected credit loss on these balances is immaterial.

(3) The Group assessed the loss allowance for amount due from an associate with trade nature on lifetime ECL basis. In determining the ECL, the Group has taken into account the value of the assets held by this entity and the power to participate in the financial and operating policy decision of this entity. There had been no significant increase in credit risk since initial recognition. No additional impairment loss on trade balances has been provided during the years ended 31 December 2022 and 2021 and the entire balance has been subsequently settled.

The Group rebuts the presumption of default under ECL for trade receivables over 90 days past due based on the strong financial position with good repayment records of those customers and continuous business relationship with the Group.

36. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2022, the Group has available unutilised banking facilities of approximately RMB2,027,858,000 (2021: RMB500,000,000) respectively. Details of which are set out in note 29.

The following table details the Group's remaining contractual maturity for its financial liabilities and derivative instruments. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from current interest rate at the end of the reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments, The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual settlement dates as the management of the Group considers that the settlement dates are essential for an understanding of the timing of the cash flows of derivatives.

	Weighted average interest rate	Repayable on demand or less than 1 year	1 to 5 years	Total undiscounted cash flows	Carrying amount at 31 December 2022
	%	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2022					
Non-derivative financial liabilities					
Trade and other payables	-	395,860	-	395,860	395,860
Deferred consideration payables	10.00	1,000	1,000	2,000	1,909
Variable-rate bank borrowings	2.60	1,806,270	-	1,806,270	1,783,337
Obligation arising from put options	8.00	-	175,133	175,133	163,773
Lease liabilities	4.75	15,514	15,893	31,407	29,295
		2,218,644	192,026	2,410,670	2,374,174
Derivative financial liabilities					
Foreign exchange forward contracts		562	-	562	562

36. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Liquidity risk - continued

	Weighted average interest rate	Repayable on demand or less than 1 year	1 to 5 years	Total undiscounted cash flows	Carrying amount at 31 December 2021
	%	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2021					
Non-derivative financial liabilities					
Trade and other payables	-	445,189	-	445,189	445,189
Deferred consideration payables	10.00	2,000	1,000	3,000	2,736
Variable-rate bank borrowings	1.15	1,116,496	582,101	1,698,597	1,677,573
Obligation arising from put options	8.00	-	175,133	175,133	152,413
Lease liabilities	4.75	17,726	19,543	37,269	34,732
		1,581,411	777,777	2,359,188	2,312,643
Derivative financial liabilities					
Interest rate swap		3,434	635	4,069	1,959
Foreign exchange forward contracts		2,524	6,808	9,332	9,332
		5,958	7,443	13,401	11,291

Interest rate benchmark reform

As listed in note 29, several of the Group's HIBOR and LIBOR bank loans will or may be subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators.

LIBOR

As at 31 December 2022, all LIBOR settings have been either ceased to be provided by any administrator or no longer be representative, except for US dollar settings (other than the 1-week and 2-month settings) which will be ceased immediately after 30 June 2023.

HIBOR

While the Hong Kong Dollar Overnight Index Average ("HONIA") has been identified as an alternative to HIBOR, there is no plan to discontinue HIBOR. The multi-rate approach has been adopted in Hong Kong, whereby HIBOR and HONIA will co-exist. The Group's bank loans linked to HIBOR will continue till maturity and hence, not subject to transition.

36. FINANCIAL INSTRUMENTS - continued

Interest rate benchmark reform - continued

(i) Risks arising from the interest rate benchmark reform

The following are the key risks for the Group arising from the transition:

Interest rate related risks

For contracts which have not been transitioned to the relevant alternative benchmark rates and without detailed fallback clauses, if the bilateral negotiations with the Group's counterparties are not successfully concluded before the cessation of LIBORs, there are significant uncertainties with regard to the interest rate that would apply. This gives rise to additional interest rate risk that was not anticipated when the contracts were entered into.

There are fundamental differences between IBORs and the various alternative benchmark rates. IBORs are forward looking term rates published for a period (e.g. 3 months) at the beginning of that period and include an inter-bank credit spread, whereas alternative benchmark rates are typically risk-free overnight rates published at the end of the overnight period with no embedded credit spread. These differences will result in additional uncertainty regarding floating rate interest payments.

Liquidity risk

The additional uncertainty on various alternative rates which are typically published on overnight basis will require additional liquidity management. The Group's liquidity risk management policy has been updated to ensure sufficient liquid resources to accommodate unexpected increases in overnight rates.

Litigation risk

If no agreement is reached to implement the interest rate benchmark reform on contracts which have not been transitioned to the relevant alternative benchmark rates (e.g. arising from differing interpretation of existing fallback terms), there is a risk of prolonged disputes with counterparties which could give rise to additional legal and other costs. The Group is working closely with all counterparties to avoid this from occurring.

Interest rate basis risk

Interest rate basis risk may arise if a non-derivative instrument and the derivative instrument held to manage the interest risk on the non-derivative instrument transition to alternative benchmark rates at different times. This risk may also arise where back-to-back derivatives transition at different times. The Group will monitor this risk against its risk management policy which has been updated to allow for temporary mismatches of up to 12 months and transact additional basis interest rate swaps if required.

36. FINANCIAL INSTRUMENTS - continued

Interest rate benchmark reform - continued

(ii) Progress towards implementation of alternative benchmark interest rates

As part of the Group's risk management for transition, new contracts entered into by the Group are linked to the relevant alternative benchmark rates or interest rates which are not subject to reform to the extent feasible. Otherwise, the Group ensured the relevant contracts include detailed fallback clauses clearly referencing the alternative benchmark rate and the specific triggering event on which the clause is activated.

During the year, for a floating rate loan that is linked to HIBOR, the Group had confirmed with the relevant counterparty HIBOR will continue to maturity.

The Group has no plan to transition the majority of its remaining LIBOR-linked contracts through introduction of, or amendments to, fallback clauses into the contracts which will change the basis for determining the interest cash flows from LIBOR to alternative reference rate at an agreed point in time.

The following table shows the total amounts of outstanding contracts and the progress in completing the transition to alternative benchmark rates as at 31 December 2022. The amounts of liabilities are shown at their carrying amounts and derivatives are shown at their notional amounts.

Financial instruments prior to transition	Maturing in	Carrying amounts/ notional amounts	Hedge accounting	Transition progress for financial instruments
		RMB$'000		
Bank loans linked to LIBOR	24 March 2023	278,584	Designated in cash flow hedge	LIBOR will continue till maturity
Bank loans linked to LIBOR	27 March 2023	222,867	Designated in cash flow hedge	LIBOR will continue till maturity
Bank loans linked to HIBOR	25 April 2023	611,911	N/A	HIBOR will continue till maturity
Bank loans linked to HIBOR	7 September 2023	669,975	N/A	HIBOR will continue till maturity

Fair value measurements of financial instruments

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used) as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

36. FINANCIAL INSTRUMENTS - continued

Fair value measurements of financial instruments - continued

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis - continued

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities at measurement date;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets/liabilities	Fair value as at 31/12/2022	Fair value as at 31/12/2021	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs
1) Interest rate swaps classified as derivative financial instruments	Assets - RMB8,901,000	Liabilities - RMB1,959,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.	Nil
2) Foreign exchange forward contracts classified as derivative financial instruments	Assets - RMB33,120,000 Liabilities - RMB562,000	Liabilities - RMB9,332,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rate and contracted exchange rate, discounted at a rate that reflects the credit risk of various counterparties.	Nil
3) Equity instruments at FVTOCI - listed equity securities	Listed equity securities on the LSE, ENV and NYSE- RMB64,001,000	Listed equity securities on the LSE and ENV - RMB63,569,000	Level 1	Quoted bid prices in an active market.	Nil
4) Equity instruments at FVTOCI - unlisted equity securities	Nil	Unlisted equity investments - RMB292,264,000	Level 2	Recent Transaction method, quoted bid prices in an inactive market	Nil

36. FINANCIAL INSTRUMENTS - continued

Fair value measurements of financial instruments - continued

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis - continued

Financial assets/liabilities	Fair value as at 31/12/2022	Fair value as at 31/12/2021	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs
5) Equity instruments at FVTOCI - unlisted equity securities	Nil	Unlisted equity investments - RMB44,638,000	Level 3	Market return method, take the return on a listed of comparable indices	Market return method take the return on a list of comparable indices since the venture nature of the investment provide more relevent comparison. (Note c)
6) Equity instruments at FVTOCI - unlisted equity securities	Unlisted equity investments - RMB233,047,000	Nil	Level 3	Market approach by applying adjusting factors to the most recent transaction prices	Adjusting factors estimated by external valuer to reflect the market return from the most recent date of transaction (Note d)
7) Financial asset at FVTPL - listed equity securities	Nil	Assets - RMB610,000	Level 1	Quoted bid prices in an active market.	Nil
8) Financial asset at FVTPL - unlisted equity securities	Assets - RMB445,935,000	Assets - RMB338,132,000	Level 2	Recent Transaction method, quoted bid prices in an inactive market	Nil
9) Financial asset at FVTPL - capital funds	Assets - RMB734,102,000	Assets - RMB382,824,000	Level 3	Market approach by applying market multiples such as the ratio of market capital to net book value from comparable companies.	The ratio of market capital to net book value from comparable companies is determined by the mean of comparable companies as at the valuation date (Note a)
10) Financial assets at FVTPL - unlisted equity securities	Nil	Assets - RMB256,308,000	Level 3	Current value method	Discount for lack of marketability taking into account the external valuer's estimate on the length of time and effort required by the management to dispose of the equity interest which is determined as 25%; Minority discount estimated by external valuer of 15 percent deduction in value to reflect the minority discount (Note b)
11) Financial asset at FVTPL - unlisted equity securities	Assets - RMB311,299,000	Nil	Level 3	Market approach by applying adjusting factors to the most recent transaction prices	Adjusting factors estimated by external valuer to reflect the market return from the most recent date of transaction (Note d)

36. FINANCIAL INSTRUMENTS - continued

Fair value measurements of financial instruments - continued

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis - continued

Sensitivity analysis

Notes:

(a) Financial asset at FVTPL - Capital funds

The higher the ratio of market capital to net book value from comparable companies, the higher the fair value of the equity instrument, and vice versa. The higher of the discount for lack of marketability, the lower the fair value of the equity instrument, and vice versa. No sensitivity is presented as the directors of the Company considered that the slight change in relevant inputs would not have a significant impact to the fair values.

(b) Financial assets at FVTPL - unlisted equity securities

No sensitivity is presented as the directors of the Company considered that the slight change in relevant inputs would not have a significant impact to the fair values.

(c) Equity instruments at FVTOCI - unlisted equity securities

If the indexes used in the valuation model had been 5% higher/lower while all other variables were held constant, the Group's fair value of equity instruments as at 31 December 2022 would have increased/decreased by approximately RMB nil (2021: RMB49,000).

(d) The higher the multiples, the higher the fair value of the equity instrument/ financial assets at FVTPL, and vice versa. If the adjusting factors used in the valuation model had been 5% higher/ lower while all other variables were held constant, the Group's fair value of equity instruments at FVTOCI and Financial assets at FVTPL as at 31 December 2022 would have increased/ decreased by approximately RMB11,652,000 and RMB15,565,000, respectively.

36. FINANCIAL INSTRUMENTS - continued

Fair value measurements of financial instruments - continued

(ii) Reconciliation of Level 3 fair value measurements

	Equity instruments at FVTOCI	Financial assets at FVTPL	Derivative financial instrument - warrant	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2021	98,896	3,884	49	102,829
Purchases	-	574,714	-	574,714
Transfers into level 1 upon the equity securities listed on ENV	(30,607)	-	-	(30,607)
Total gains (losses)				
- in profit or loss	-	60,534	(49)	60,485
- in other comprehensive income	(23,651)	-	-	(23,651)
As at 31 December 2021	44,638	639,132	-	683,770
Purchases	-	332,077	-	332,077
Disposal	(2,841)	-	-	(2,841)
Transfers into level 2	-	(115,725)	-	(115,725)
Transfers into level 3 from level 2	191,076	117,387		308,463
Total gains				
- in profit	-	72,530	-	72,530
- in other comprehensive income	174	-	-	174
As at 31 December 2022	233,047	1,045,401	-	1,278,448

(iii) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Bank borrowings RMB'000 (note 29)	Deferred consideration payables RMB'000 (note 30)	Dividend payables RMB'000 (note 13)	Lease liabilities RMB'000 (note 27)	Obligation rising from put options RMB'000	Total RMB'000
At 1 January 2021	587,251	4,416	-	12,906	-	604,573
Financing cash flows	1,061,968	-	(1,154,834)	(14,007)	-	(106,873)
Release on deferred difference on initial recognition of financial instruments	-	(1,929)	-	-	-	(1,929)
Dividends declared	-	-	1,154,834	-	-	1,154,834
Finance costs	15,397	249	-	2,211	10,413	28,270
Net foreign exchange gain	12,957	-	-	-	-	12,957
Commencement of new leases	-	-	-	33,622	-	33,622
Obligation rising from put options	-	-	-	-	142,000	142,000
At 31 December 2021	1,677,573	2,736	-	34,732	152,413	1,867,454
Financing cash flows	(88,435)	(1,000)	(1,276,239)	(18,948)	-	(1,384,622)
Acquisition of a subsidiary	3,000	-	-	-	-	3,000
Dividends declared	-	-	1,276,239	-	-	1,276,239
Finance costs	35,455	173	-	2,098	11,360	49,086
Net foreign exchange gain	155,744	-	-	-	-	155,744
Commencement of new leases	-	-	-	11,413	-	11,413
At 31 December 2022	1,783,337	1,909	-	29,295	163,773	1,978,314

38. CAPITAL COMMITMENTS

	2022 RMB'000	2021 RMB'000
Capital expenditure in respect of the acquisition of below items contracted for but not provided in the consolidated financial statements		
- property, plant and equipment	576	653
- financial assets at FVTPL	773,150	835,502
- interests in associate	53,883	90,000

39. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related financial parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below, in addition to the transactions and balances disclosed elsewhere in the consolidated financial statements.

(a) The Group entered into the following transactions with related parties during the year:

Name of related company	Relationship	Nature of transactions	2022 RMB'000	2021 RMB'000
Tibet Pharmaceutical	Associate	Promotion income	1,316,329	1,046,701
Tibet Pharmaceutical	Associate	Service fee	-	1,698
Tibet Pharmaceutical	Associate	Purchase of goods	611	2,718

(b) Pursuant to a transfer agreement dated 16 February 2004 (as supplemented by a supplemental agreement dated 2 November 2004) and a further agreement dated 16 December 2007 between Shenzhen Kangzhe and Kangzhe Pharmaceutical Research and Development (Shenzhen) Limited ("Kangzhe R&D")", the Group acquired the production, marketing and sales rights and the related patents of CMS024 from Kangzhe R&D, of which 83.23% equity interest is indirectly held by a controlling shareholder as at 31 December 2022 and the date of this report. Pursuant to the terms of the agreement, as consideration for the transfer of CMS024, Shenzhen Kangzhe paid US$3.1 million to Kangzhe R&D as compensation for the actual research and development costs incurred by Kangzhe R&D, and further agreed to pay a royalty fee of 13% of the quarterly sales revenue generated by the Group after CMS024 is successfully launched. The Group has appointed Kangzhe R&D to carry out further research and development related to CMS024, and Kangzhe R&D has undertaken to complete all the clinical trials and prepare the documents necessary for and assist the Group in the application for a new-drug permit for CMS024. The Group has not paid any fee to Kangzhe R&D during the years ended 31 December 2022 and 2021.

(c) On 8 May 2015, A&B entered into agreements with Faron Pharmaceuticals, Ltd ("Faron"), to acquire 15.72% of the shareholding of Faron, assets related to a drug, Traumakine in China (including Hong Kong SAR, Macau SAR and Taiwan) (the "Territory"), intellectual properties related to Traumakine from the Territory and the right to exchange Traumakine information with Faron.

On 19 May 2015, the Group entered into agreements with A&B and/or Faron respectively, to acquire the assets related to Traumakine in the Territory (the "Acquisition of Assets"). The consideration for above transfer will be further negotiated and agreed between A&B and the Group at a later stage prior to the launch of Traumakine in the Territory, the amount would be calculated with reference to the net sales of Traumakine in the Territory.

The Acquisition of Assets was not yet completed up to the date of this report and the Group has not paid any consideration to A&B in respect of this acquisition during the years ended 31 December 2022 and 2021.

39. RELATED PARTY TRANSACTIONS - continued

(d) On 31 July 2018, the Group entered into an asset transfer and license agreement with Acticor. According to the terms of such agreement, the Group acquired all assets (the "Assets of ACT017") related to Acticor's product ACT017 and any follow-up products developed on the basis of the same compound of ACT017 (the "Product of ACT017") in China (including Hong Kong SAR, Macau SAR and Taiwan), Singapore, Philippines, Republic of Korea, Malaysia and other designated Asian countries (excluding Japan, India and Western Asia countries) (the "Asia Pacific Territory") in consideration of an upfront payment of EUR50,000 (equivalent to RMB384,000) which has been paid as at 31 December 2018. Such amount has been included in deposits paid for acquisition of intangible assets (see note 23) as at 31 December 2022 and 2021. The Assets of ACT017 include without limitation all the know-how, intellectual property or the right of application for the intellectual property, necessary regulatory approvals, documents, dossiers, data or information exclusive for Asia Pacific Territory and other rights as necessarily required to develop, register, manufacture and commercialise the Product of ACT017 in the Asia Pacific Territory. In addition, the Group also acquired all the necessary licenses related to the transaction under this agreement in consideration of (1) a royalty at a fixed rate on the basis of the net sales of Product of ACT017 generated in Asia Pacific Territory and (2) lump sum payments with varied fixed amount, each payable upon the first achievement of respective net sales stipulated in the agreement.

(e) On 14 August 2018, the Group entered into an asset transfer and license agreement with Blueberry Therapeutics Limited ("Blueberry"), which is one of Group's unlisted equity investments under note 20(b)(iii). According to the terms of such agreement, the Group has acquired all related assets of Blueberry's leading product BB2603 (for the treatment of onychomycosis and tinea pedis) in China (including Hong Kong SAR Macau SAR and Taiwan), Republic of Korea and Mongolia (the "Asia Territory") and the Group further acquired access to all related assets of other pipeline products being or to be developed subsequently by Blueberry utilizing its unique nanoformulation delivery system in dermatology and other fields (such as products used for treating atopic dermatitis and acne, etc., together with the product BB2603 as the "Product of BB2603") in the Asia Territory in consideration of (1) an upfront payment of USD600,000 (equivalent to RMB4,090,000), (2) fixed lump sum payments upon the achievement of the pre-determined milestones stipulated in the agreement and (3) a royalty at a fixed rate on the basis of the net sales of Product of BB2603 in Asia Territory. The aforementioned assets include, among others, all the national patents covering the development, commercialization and formulation of the Product of BB2603, national trademarks and necessary regulatory approvals in or for the Asia Territory.

As the milestone as well as the commercialisation of Product of BB2603 has not yet been achieved as at 31 December 2022 and 2021, the Group has only paid the upfront payment of USD600,000 (equivalent to RMB4,090,000) as the consideration for Product of BB2603 during year ended 31 December 2018. Such amount has been included in deposits paid for acquisition of intangible assets (see note 23) as at 31 December 2022 and 2021.

39. RELATED PARTY TRANSACTIONS - continued

(f) On 20 August 2018, the Group entered into a framework asset transfer agreement with A&B relating to the portable neurostimulation devices (the "Product of PoNS") developed by or for Helius Medical Technologies group ("Helius"), which is one of Group's unlisted equity investments under note 20(b)(iii). According to the terms of such agreement, the Group has agreed to acquire from A&B all assets related to the Product of PoNS (the "Assets of PoNS") in the Territory (the "Transaction of PoNS"). The Assets were originally purchased by A&B from Helius, in which A&B has equity interest. Both the Group and A&B have not agreed on the definitive terms and conditions of the Transaction, including the consideration for the transfer of the Assets of PoNS under the agreement. The Group and A&B will further negotiate and agree on the terms of the Transaction at a later stage prior to the launch of the Product of PoNS in the Territory. As at 31 December 2022, the Group and A&B has not yet negotiated and agreed on the terms of the Transaction of PoNS and the Group has not paid any consideration to A&B in respect of the Transaction of PoNS during the years ended 31 December 2022 and 2021.

(g) On 20 August 2018, the Group entered into a framework asset transfer agreement with A&B relating to the pharmaceutical preparation, formulation, dosage form, or delivery vehicle, containing or comprising NRL-1 etc. and/or line extensions developed by or for Neurelis, Inc. ("Neurelis") (collectively, the "Product of NRL-1"). Neurelis is one of Group's unlisted equity investments under note 20(b)(iii). According to terms of such agreement, the Group has agreed to acquire from A&B all assets related to the Product of NRL-1 (the "Assets of NRL-1") in the Territory (the "Transaction of NRL-1"). A&B obtained the Assets of NRL-1 from its related entity which in turn obtained the Assets of NRL-1 from Neurelis. Both the Group and A&B have not agreed on the definitive terms and conditions of the Transaction, including the consideration for the transfer of the Assets of NRL-1 under the agreement. The Group and A&B will further negotiate and agree on the terms of the Transaction of NRL-1 at a later stage prior to the launch of the Product of NRL-1 in the Territory. As at 31 December 2022, the Group and A&B have not yet negotiated and agreed on the terms of the Transaction of NRL-1 and the Group has not paid any consideration to A&B in respect of the Transaction of NRL-1 during the years ended 31 December 2022 and 2021.

(h) On 19 September 2018, the Group entered into license and collaboration agreement with VAXIMM AG ("VAXIMM"), which is one of Group's unlisted equity investments under note 20(b)(iii) and was sold during the year ended 31 December 2022. According to the terms of such agreement, the Group gained exclusive, perpetual, transferable, sub-licensable rights to develop and commercialize the current pharmaceutical products portfolio and line extension of or under the control of VAXIMM (the current leading product is VXM01) as well as designated pharmaceutical products and line extension that will be solely owned and under the control of VAXIMM (the "Product of VXM01") in Asia Pacific Territory in consideration of (1) fixed lump sum payments upon the achievement of the pre-determined milestones stipulated in the agreement, (2) lump sum payments with varied fixed amount, each payable upon the first achievement of respective net sales stipulated in the agreement and (3) a royalty at a fixed rate on the basis of the net sales of Product of VXM01 in Asia Pacific Territory.

As Product of VXM01 has not yet been commercialised, the Group has not paid any consideration in relation to Product of VXM01 during years ended 31 December 2022 and 2021.

39. RELATED PARTY TRANSACTIONS - continued

(i) On 29 January 2019, the Group entered into a license, collaboration and distribution agreement with Midatech. According to the terms of such agreement, the Group will gain exclusive, perpetual, transferable, sub-licensable rights to develop and commercialise Midatech's current products mainly including MTD201, MTX110 (subject to receipt of consent from Secura Bio) and any new pharmaceutical products or line extension, the intellectual property rights and other rights of which Midatech controls and which Midatech or its affiliates have given a codename within three years from 29 January 2019 (the "Products") in China (including Hong Kong Special Administrative Region, Macao Special Administrative Region and Taiwan) and certain Southeast Asian countries selected by the Group (including Singapore, Philippines, Malaysia and other countries, subject to confirmation by the Group once a regulatory approval is granted by the US Food and Drug Administration, the European Medicines Agency or by one of the regulatory authorities in one of the UK, France, Germany or Switzerland).

As Products have not yet been commercialised, the Group has not paid any consideration in relation to Products during year ended 31 December 2022 and 2021.

(j) During the year ended 31 December 2017, the Group entered into an agreement with Destiny. According to the terms of such agreement, the Group will gain exclusive sub-licensable rights to develop and commercialise Destiny's current products mainly including XF-73 (the "Products of XF-73") in Asia Pacific Territory.

As Products of XF-73 have not yet been commercialised, the Group has not paid any consideration in relation to Products during year ended 31 December 2022 and 2021.

(k) The key management personnel includes solely the directors of the Company and the compensation paid to them as disclosed in note 9.

40. RETIREMENT BENEFITS SCHEMES

The employees of the Group's subsidiary in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

The employees employed in Hong Kong are required to join the Mandatory Provident Fund Scheme (the "MPF Scheme"). Contributions to the MPF Scheme are made in accordance with the statutory limits prescribed by the Mandatory Provident Fund Ordinance of Hong Kong.

The employees employed in Macau are required to join the Social Security Fund (the "FSS"). Contributions to FSS are made in accordance with the statutory limits prescribed by the Social Security System of Macau.

The employees employed in Dubai are required to be entitled to gratuity based on the years of services under the labour law of United Arab Emirates Ministry of Human Resources and Emiratisation.

During the year, the total expense recognised in the profit or loss for the above schemes amounted to RMB217,855,000 (2021: RMB136,722,000).

41. EMPLOYEE BENEFIT SCHEME

The 2009 Scheme was adopted by the Board on 31 July 2009 ("Adoption Date"). Unless terminated earlier by the Board, the 2009 Scheme shall be valid and effective for a term of 20 years commencing on the Adoption Date. Pursuant to the rules of the 2009 Scheme, the Company set up a trust through a trustee (the "Trustee"), Fully Profit Management (PTC) Limited, for the purpose of administration the 2009 Scheme. A summary of some of the principal terms of the 2009 Scheme is set out in below.

(a) The purpose of the 2009 Scheme is to recognise the contributions by certain employees who have been actively involved in the business development of the Group and to establish and maintain a superannuation fund for the purpose of providing retiring allowances for certain employees (including without limitation employees who are also directors) of the Group, and to give incentive in order to retain them for the continual operation and development of the Group.

(b) Under the 2009 Scheme, the Board of Directors (the "Board") may, from time to time, at its absolute discretion and subject to such terms and conditions as it may think appropriate select an employee (the "Member") who completed 10 years' services in the Group (subject to consent of the Board if the employee completed 5 years' services in the Group) for participation in the 2009 Scheme for 10 years after retirement (the "Payment Year") (subject to adjustment set out in (d) below).

(c) The Company will, on a yearly basis, contribute the sum equal to an amount not less than 0.5%, but no more than 3% of its after tax profits shown on the audited consolidated financial statements of the Group, or issue such number of shares of the Company to the Trustee in consideration of payment of such amount as the Board may determine with reference to the aforesaid contribution as against the then market value of the shares of the Company (the "Yearly Contributions"), subject to the Board's approval.

(d) The amount payable to the Members depends on the value of the assets held by the Trustee (the "Fund"). If the value of the Fund is less than the aggregate amount of contributions previously made by the Company, the amount payable to the Members and the Payment Year will be adjusted by a factor derived from the value of the Fund and the aggregate amount of contributions previously made by the Company. The only obligation of the Company is to make the Yearly Contributions to the Fund. As such, the 2009 Scheme is classified as defined contribution scheme.

On 22 December 2016, the Board has resolved to adopt two new employee incentive schemes, with details as follows:

(a) The Bonus Scheme

i. This scheme is for the purpose of providing discretionary cash bonuses to selected employees of the Group to recognise their contribution to the Group.

ii. This scheme is open to the employees employed by the Group, except for the directors of the Company.

41. EMPLOYEE BENEFIT SCHEME - continued

(b) The New KEB Scheme

i. The New KEB Scheme will replace the 2009 Scheme and shall comprise terms which are substantially similar to the 2009 Scheme.

ii. The subsisting rights of all participants under 2009 Scheme will be rolled over to the New KEB Scheme.

For the purposes of effecting the merger and facilitating the administration of the Bonus Scheme and the New KEB Scheme, the Company has resolved to set up a new trust comprising the Bonus Scheme and KEB Scheme (collectively referred to as the "Master Scheme"). Unless terminated earlier by the Board, the Master Scheme shall be valid and effective until the later of the termination of the Bonus Scheme or the New KEB Scheme. The term of each of the Bonus Scheme and the New KEB Scheme is 20 years subject to the terms of their respective scheme rules. TMF Trust (HK) Limited ("TMF"), a company incorporated in Hong Kong, is appointed as the initial trustee of the new trust (the "New Trustee").

A summary of some of the principal terms of the Bonus Scheme is set out in below:

(a) The Company will, on a yearly basis, contribute the sum equal to an amount of 0% to 15% on the net profit growth on the audited consolidated financial statements of the Group ("Annual Contribution"), subject to the approval from the Benefit Scheme Executive Committee, comprising executive directors of the Company. No contribution will be made by the Company if there is no growth on the net profit in the year.

(b) The amount payable to the members of the Bonus Scheme in a financial year depends on a variety of factors, including the value of the assets held by the New Trustee (the "New Fund"), the appreciation in the value of the assets held under the New Fund, the financial performance of the Group and the performances of individual employees during the year. The New Fund is independent from the Company and the change in value of the New Fund has no impact on the Group's financial performance and financial position. The only obligation of the Company is to make the Annual Contributions to the New Fund subject to the terms of the scheme rules of the Bonus Scheme. The Bonus Scheme is classified as a discretionary scheme of the Company. No employee benefit expenses were recognised by the Company and the Group for both years.

During the year ended 31 December 2022, the Company recognised an expense of RMB5,760,000 (2021: RMB nil) on the Master Scheme based on the Group's financial performance. RMB5,760,000 (2021: RMB nil) were recognised as employee benefit expenses in the consolidated statement of profit or loss and other comprehensive income.

42. ACQUISITIONS OF SUBSIDIARIES

For the year ended 31 December 2022

(a) Acquisition of Shanghai Xuli Medical Devices Company Limited ("Xuli")

On 8 December 2021, the Group entered into an equity transfer agreement with independent third parties to acquire 100% equity interest in Xuli from independent third parties at a consideration of RMB43,374,000. Xuli focuses on the field of medical aesthetic products and aiming to provide Chinese beauty-loving people with global high-quality medical aesthetic products, equipment and services. The purpose of the acquisition is to acquire medical aesthetic products rights owned by Xuli for enriching the portfolio of the Group's medical aesthetic products. The acquisition was completed on 21 January 2022 and accounted for as acquisition of business using the acquisition method.

Assets acquired and liabilities recognised at the date of acquisition:

	RMB'000
Property, plant and equipment	26
Intangible assets	5,248
Inventories	12,764
Trade and other receivables	3,782
Bank balances and cash	1,371
Bank borrowings	(3,000)
Trade and other payables	(5,237)
Tax payable	(844)
Deferred tax liabilities	(1,312)
	12,798

The receivables acquired (which principally comprised trade receivables) with a fair value of RMB3,782,000 at the date of acquisition had gross contractual amounts of RMB3,782,000, being the best estimate of the contractual cash flows expected to be collected at acquisition date.

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	43,374
Less: fair value of identifiable net assets acquired	(12,798)
Goodwill arising on acquisition	30,576

42. ACQUISITIONS OF SUBSIDIARIES - continued

For the year nded 31 December 2022 - continued

(a) Acquisition of Shanghai Xuli Medical Devices Company Limited ("Xuli") - continued

Goodwill arose in the acquisition of Xuli was attributable to the synergistic effect of the promotion network generated from the combination. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of revenue growth, management team, sale and promotion channel and future market development of Xuli. These benefits did not meet the recognition criteria for identifiable intangible assets, therefore were recognised as goodwill.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash outflow arising on acquisition:

	RMB'000
Consideration paid in cash during the current year	28,374
Less: cash and cash equivalent balances acquired	(1,371)
	27,003
Consideration prepaid in cash during the year ended 31 December 2021	15,000
	42,003

Impact of acquisition on the results of the Group:

Included in the profit for the period is loss of RMB13,312,000 attributable to the additional business generated by Xuli. Revenue for the period includs RMB49,976,000 generated from Xuli.

Had the acquisition of Xuli been completed at 1 January 2022, the revenue of the Group for the year ended 31 December 2022 would have been RMB9,152,693,000, and the profit for the period would have been RMB3,274,374,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at 1 January 2022, nor is intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Xuli been acquired at the beginning of the current period, the directors have calculated depreciation and amortisation of plant and equipment and intangible assets acquired on the recognised amounts of property, plant and equipment and intangible assets at the date of acquisition.

42. ACQUISITIONS OF SUBSIDIARIES - continued

For the year nded 31 December 2022 - continued

(b) Acquisition of Heling Medical (Guangzhou) Company Limited ("Heling")

On 19 August 2022, the Group entered into an equity transfer agreement with independent third parties to acquire 60% equity interest in Heling from independent third parties at a consideration of RMB9,000,000. Heling focuses on the research, development and production of dermatology-grade skincare products. The acquisition consists with the Group's strategy to continuously expand into the medical aesthetic field. The acquisition was completed on 19 August 2022 and accounted for as acquisition of business using the acquisition method.

Consideration transferred:

	RMB'000
Cash	2,000
Capital injection	7,000
	9,000

Assets acquired and liabilities recognised at the date of acquisition:

	RMB'000
Intangible assets	1,597
Other receivables	7,000
Bank balances and cash	6
Trade and other payables	(268)
Deferred tax liabilities	(399)
	7,936

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	9,000
Add: non-controlling interest (40% in Heling)	3,174
Less: fair value of identifiable net assets acquired	(7,936)
Goodwill arising on acquisition	4,238

42. ACQUISITIONS OF SUBSIDIARIES - continued

For the year nded 31 December 2022 - continued

(b) Acquisition of Heling Medical (Guangzhou) Company Limited ("Heling") - continued

Goodwill arose in the acquisition of Heling was attributable to the synergistic effect of the promotion network generated from the combination. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of revenue growth, management team, sale and promotion channel and future market development of Heling. These benefits did not meet the recognition criteria for identifiable intangible assets, therefore were recognised as goodwill.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Non-controlling interests

The non-controlling interests in Heling recognised at the acquisition dates were measured by reference to the non-controlling interests' proportionate share of the recognised amount of the net assets and amounted to RMB3,174,000.

Net cash outflow arising on acquisition:

	RMB'000
Consideration paid in cash during the current year	2,000
Less: cash and cash equivalent balances acquired	(6)
	1,994

Impact of acquisition on the results of the Group:

Included in the loss for the period is RMB16,000 attributable to the additional business generated by Heling.

Had the acquisition of Heling been completed at 1 January 2022, the revenue of the Group for the year ended 31 December 2022 would have been RMB9,150,357,000, and the profit for the period would have been RMB3,275,933,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at 1 January 2022, nor is intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Heling been acquired at the beginning of the current period, the directors have calculated amortisation of intangible assets acquired on the recognised amounts of intangible assets at the date of acquisition.

42. ACQUISITIONS OF SUBSIDIARIES - continued

For the year ended 31 December 2021

(a) Acquisition of Luqa

On 1 February 2021, the Group entered into a share purchase agreement (the "Luqa Agreement") to acquire 100% equity interest in Luqa from several independent third parties (the "Sellers"). Luqa is a dermatology specialty company incorporated in Hong Kong, its products mainly includes dermatology prescription medicines, medical devices and medical aesthetic products. The purpose of the acquisition is to enrich the dermatology product portfolio of the Group, and enable the Group to enter into medical aesthetic field after acquiring the product rights owned by Luqa. It would have a big synergistic effect by taking full advantage of the promotion system and channel resource of the Group. The above acquisition had been completed on 1 February 2021 (the "Completion Date") and accounted for as acquisition of business using the acquisition method.

Consideration transferred

	RMB'000
Cash	513,000
Consideration Shares and Bonus Share transferred (note i)	106,500
Put options on the Consideration Shares and Bonus Share (note ii)	57,264
	676,764

Notes:

(i) Pursuant to the Luqa Agreement, on the Completion Date, the Group transferred two issued ordinary shares (the "Consideration Shares") of a wholly-owned subsidiary, CMS Aesthetics Holdings Limited ("CMS Aesthetics"), representing 2% of the issued share capital of CMS Aesthetics to an entity designated by the Sellers to receive and hold the Consideration Shares.

In addition, on the Completion Date, the Group transferred one series A redeemable share (the "Bonus Share") of CMS Aesthetics, representing 1% of the issued share capital of CMS Aesthetics to an entity designated by the Sellers to receive and hold the Bonus Share.

(ii) As stipulated in the Luqa Agreement, the Sellers were granted the right to demand the Group to repurchase the Consideration Shares and Bonus Share, at any time from the Completion Date up to date falling on the fifth anniversary of the Completion Date at pre-determined exit prices.

42. ACQUISITIONS OF SUBSIDIARIES - continued

For the year ended 31 December 2021 - continued

(a) Acquisition of Luqa - continued

Assets acquired and liabilities recognised at the date of acquisition:

	RMB'000
Property, plant and equipment	47
Intangible assets	101,599
Inventories	486
Trade and other receivables	129,046
Bank balances and cash	31,985
Trade and other payables	(43,725)
Tax recoverable	116
Deferred tax liabilities	(2,792)
	216,762

The receivables acquired (which principally comprised trade receivables) with a fair value of RMB129,046,000 at the date of acquisition had gross contractual amounts of RMB129,046,000, being the best estimate of the contractual cash flows expected to be collected at acquisition date.

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	676,764
Less: fair value of identifiable net assets acquired	(216,762)
Goodwill arising on acquisition	460,002

Goodwill arose in the acquisition of Luqa was attributable to the synergistic effect of the promotion network generated from the combination. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of revenue growth, management team, sale and promotion channel and future market development of Xuli. These benefits did not meet the recognition criteria for identifiable intangible assets, therefore were recognised as goodwill.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash outflow arising on acquisition:

	RMB'000
Consideration paid in cash	513,000
Less: cash and cash equivalent balances acquired	(31,985)
	481,015

42. ACQUISITIONS OF SUBSIDIARIES - continued

For the year ended 31 December 2021 - continued

(a) Acquisition of Luqa - continued

Impact of acquisition on the results of the Group:

Included in the profit for the year is RMB5,193,000 attributable to the additional business generated by Luqa. Revenue for the year includes RMB27,687,000 generated from Luqa.

Had the acquisition of Luqa been completed on 1 January 2021, revenue for the year of the Group would have been RMB8,333,928,000, and profit for the year would have been RMB2,961,788,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2021, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Luqa been acquired at the beginning of the current year, the directors of the Company calculated depreciation of property, plant and equipment and amortization of intangible assets based on the recognised amounts of property, plant and equipment and intangible assets at the date of the acquisition.

Share-based payment transaction:

Pursuant to the Luqa Agreement, on the Completion Date, the Group transferred one series A redeemable share (the "Employment Share") of CMS Aesthetics, representing 1% of the issued share capital of CMS Aesthetics to a key employee of Luqa with a condition that who shall serve the Group up to 31 December 2023. The key employee was granted the right to demand the Group to repurchase the Employment Share, up to date falling on the fifth anniversary of the Completion Date at pre-determined exit prices. The Employment Share and related put option were accounted for share-based payment under IFRS 2.

The estimated fair values of the employment share and related option granted on the date are RMB35,500,000 and RMB19,088,000, respectively. These fair values were calculated using the Binomial model. The inputs into the model were as follows:

	1 February 2021
Weighted average share price (RMB'000)	35,500
Exercise price (RMB'000)	49,701
Expected volatility	39.267%
Expected life	5
Risk-free rate	3.001%
Expected dividend yield	0

42. ACQUISITIONS OF SUBSIDIARIES - continued

For the year ended 31 December 2021 - continued

(a) Acquisition of Luqa - continued

Share-based payment transaction: - continued

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 5 years. The expected life used in the model has been adjusted, based on the valuer's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

For the year ended 31 December 2022, the Group recognised share-based payment expense of RMB18,716,000 (2021: RMB17,156,000) in relation to Employment Share and related put option granted by the Company.

Obligation arising from put options:

On the Completion Date, an amount representing the present value amounting to RMB142,000,000 of the amount that the Group could be required to pay the non-controlling shareholder pursuant to the put options over the Consideration Shares, Bonus Share and Employment Share in CMS Aesthetics held by the non-controlling shareholder, with a corresponding debit in non-controlling interests, is recognised in obligation arising from put options.

For the period from the Completion Date to 31 December 2021, interest on obligation arising from put options amounted to RMB10,413,000 was recognised in profit or loss.

(b) Acquisition of Carnation

On 17 May 2021, the Group entered into an equity transfer agreement with an independent third party (the "Seller") to acquire 50% equity interest in Carnation at a cash consideration of RMB38,000,000. On the same date, the Group entered into a capital increase agreement with the Seller to subscribe additional 14.81% equity interest in Carnation at a consideration of RMB32,000,000. After completion, the Group holds 64.81% equity interest in Carnation. Carnation is incorporated in the PRC and is engaged in research and development and manufacture of medical aesthetic solution using focused ultrasound technology. The purpose of the acquisition is to acquire Carnation's focused ultrasound technology platform and to develop product rights for enriching the Group's photoelectric medical aesthetic product portfolio. The acquisition had been completed on 8 June 2021 and accounted for as acquisition of business using the acquisition method.

42. ACQUISITIONS OF SUBSIDIARIES - continued

For the year ended 31 December 2021 - continued

(b) Acquisition of Carnation - continued

Consideration transferred

	RMB'000
Cash	38,000
Capital injection	32,000
	70,000

Assets acquired and liabilities recognised at the date of acquisition:

	RMB'000
Property, plant and equipment	13
Intangible assets	38,706
Inventories	32
Amount due from a shareholder	32,000
Trade and other receivables	318
Bank balances and cash	110
Amount due to a non-controlling shareholder	(9,630)
Trade and other payables	(406)
Deferred tax liabilities	(9,677)
	51,466

The receivables acquired (which principally comprised trade receivables) with a fair value of RMB318,000 at the date of acquisition had gross contractual amounts of RMB318,000, being the best estimate of the contractual cash flows expected to be collected at acquisition date.

Non-controlling interests

The non-controlling interest (35.19%) in Carnation recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of Carnation and amounted to approximately RMB18,108,000.

42. ACQUISITIONS OF SUBSIDIARIES - continued

For the year ended 31 December 2021 - continued

(b) Acquisition of Carnation - continued

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	70,000
Plus: non-controlling interests	18,108
Less: fair value of identifiable net assets acquired	(51,466)
Goodwill arising on acquisition	36,642

Goodwill arose in the acquisition of Carnation was attributable to the synergistic effect of the promotion network generated from the combination. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of focused ultrasound technology platform, research and development team, potential market development and future revenue growth of Carnation. These benefits did not meet the recognition criteria for identifiable intangible assets, therefore were recognised as goodwill.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash outflow arising on acquisition:

	RMB'000
Consideration paid in cash	38,000
Less: cash and cash equivalent balances acquired	(110)
	37,890

Impact of acquisition on the results of the Group:

Included in the profit for the year is loss of RMB3,339,000 attributable to the additional business generated by Carnation. No revenue were generated from Carnation for the year.

Had the acquisition of Carnation been completed on 1 January 2021, revenue for the year of the Group would have been RMB8,337,221,000, and profit for the year would have been RMB3,024,724,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2021, nor is it intended to be a projection of future results.

42. ACQUISITIONS OF SUBSIDIARIES - continued

For the year ended 31 December 2021 - continued

(b) Acquisition of Carnation - continued

Impact of acquisition on the results of the Group: - continued

In determining the 'pro-forma' revenue and profit of the Group had Carnation been acquired at the beginning of the current year, the directors of the Company calculated depreciation of property, plant and equipment based on the recognised amounts of property, plant and equipment at the date of the acquisition.

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

As at 31 December 2022 and 2021, the details of the Company's principal subsidiaries are set as follows:

Name of subsidiaries	Place of incorporation/ establishment and operation	Issue and fully paid share capital/ registered capital		Equity interest held by the Group				Principal activities
		31 December 2022	31 December 2021	31 December 2022		31 December 2021		
				Directly	Indirectly	Directly	Indirectly	
CMS International	British Virgin Island	US$10,000	US$10,000	100%	-	100%	-	Investment holding
Kangzhe Hunan (wholly-owned domestic enterprise)	PRC	RMB36,750,000	RMB36,750,000	-	100%	-	100%	Production of medicines
Tibet Kangzhe Enterprise Management Co. Ltd. (wholly-owned domestic enterprise)	PRC	RMB10,000,000	RMB10,000,000	-	100%	-	100%	Investment holding
Shenzhen Kangzhe (wholly foreign-owned enterprise)	PRC	RMB350,000,000	RMB350,000,000	-	100%	-	100%	Marketing, promotion and sale of drugs
Sino Talent	Hong Kong	HK$1	HK$1	-	100%	-	100%	Investment holding
Sky United	Hong Kong	HK$10	HK$10	-	100%	-	100%	Trading of drugs
Kangzhe Pharmaceutical Investment Co., Ltd. (wholly-owned domestic enterprise)	PRC	RMB50,000,000	RMB50,000,000	-	100%	-	100%	Investment holding
Tianjin Kangzhe (wholly foreign-owned enterprise)	PRC	RMB500,000,000	RMB500,000,000	-	100%	-	100%	Marketing, promotion and sale of drugs
Lengshuijiang Kangzhe Pharmaceutical Co., Ltd, (wholly-owned domestic enterprise) (Note)	PRC	-	RMB22,359,050	-	-	-	100%	Production of medicines
Xili Pharmaceutical (sino-foreign equity joint venture)	PRC	RMB11,360,000	RMB11,360,000	-	52.01%	-	52.01%	Production of medicines

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY - continued

Name of subsidiaries	Place of incorporation/ establishment and operation	Issue and fully paid share capital/ registered capital		Equity interest held by the Group				Principal activities
		31 December 2022	31 December 2021	31 December 2022		31 December 2021		
				Directly	Indirectly	Directly	Indirectly	
Tibet Kangzhe Development (wholly-owned domestic enterprise)	PRC	RMB100,000,000	RMB100,000,000	-	100%	-	100%	Marketing, promotion and sale of drugs
CMS Bridging Limited (formerly known as Everest Fortune Limited)	Hong Kong	HK$1,000,000,000	HK$1,000,000,000	-	100%	-	100%	Investment holding
CMS Medical Venture Investment Limited	British Virgin Island	US$50,000	US$50,000	-	100%	-	100%	Investment holding
CMS Medical Venture Investment (HK) Limited	Hong Kong	HK$100	HK$100	-	100%	-	100%	Investment holding
CMS International Development and Management Limited	Macau	MOP$113,340,100	MOP$113,340,100	-	100%	-	100%	Trading of drugs
CMS Pharma DMCC	Dubai	DH104,490,000	DH104,490,000	-	100%	-	100%	Trading of drugs
CMS Bridging DMCC	Dubai	DH261,220,000	DH261,220,000	-	100%	-	100%	Investment holding
CMS Aesthetics DMCC	Dubai	DH50,000	DH50,000	-	96%	-	96%	Trading of drugs
Luqa Ventures Co., Limited	Hong Kong	HK$8,847,825	HK$8,847,825	-	96%	-	96%	Trading of drugs
Shanghai Carnation Medical Technology Co., Ltd	PRC	RMB2,842,105	RMB2,842,105	-	62.2%	-	62.2%	Trading of drugs
Shanghai Kangzhe Aesthetics Pharmaceutical Co., Ltd	PRC	RMB10,000,000	RMB10,000,000	-	96%	-	96%	Marketing and promotion
Hainan Kangzhe Aesthetics Technology Co., Ltd	PRC	RMB145,000,000	RMB145,000,000	-	96%	-	96%	Marketing, promotion and sale of drugs
Shenzhen Kangzhe Zhiyuan Enterprise Management Co., Ltd	PRC	RMB200,000,000	RMB200,000,000	-	100%	-	100%	Investment holding
Shenzhen Kangzhe Yingtai Technology Co.,Ltd	PRC	-	-	-	100%	-	100%	Investment holding
Hainan Kangzhe Venture Capital Co. Ltd	PRC	RMB520,050,000	RMB350,050,000	-	100%	-	100%	Investment holding
CMS Aesthetics Limited	Hong Kong	HK$1	HK$1	-	96%	-	96%	Trading of drugs
Shanghai Xuli Medical Devices Company Limited	PRC	RMB10,000,000	-	-	96%	-	-	Trading of drugs
Heling Medical (Guangzhou) Company Limited	PRC	RMB3,000,000	-	-	57.6%	-	-	Trading of drugs

Note: The company was liquidated on 28 March 2022.

The above table lists the subsidiaries of the Company, in the opinion of the directors of the Company, which principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022 RMB'000	2021 RMB'000
Non-current asset		
Interests in subsidiaries	4,289,164	4,604,171
Current assets		
Amount due from a subsidiary	2,000,000	1,000,000
Derivative financial instruments	21,794	-
Bank balances and cash	39,618	17,901
	2,061,412	1,017,901
Current liabilities		
Amount due to a subsidiary	2,958	2,958
Other payables and accruals	3,027	2,234
Bank borrowings	1,281,886	1,103,760
Derivative financial instruments	562	-
	1,288,433	1,108,952
Net current assets (liabilities)	772,979	(91,051)
Total assets less current liabilities	5,062,143	4,513,120
Capital and reserves		
Share capital (note 33)	83,991	84,177
Reserves	4,978,152	4,428,943
Total equity	5,062,143	4,513,120

Movement in reserves

	Share premium RMB'000	Capital reserve RMB'000	Accumulated profits RMB'000	Dividend reserve RMB'000	Total RMB'000
Balance at 1 January 2021	2,304,879	6,960	1,924,406	502,306	4,738,551
Repurchase of ordinary shares	(151,062)	-	-	-	(151,062)
Profit and total comprehensive income for the year	-	-	996,288	-	996,288
Dividends paid	-	-	(652,528)	(502,306)	(1,154,834)
Dividends proposed	-	-	(557,594)	557,594	-
Balance at 31 December 2021	2,153,817	6,960	1,710,572	557,594	4,428,943
Repurchase of ordinary shares	(48,196)	-	-	-	(48,196)
Profit and total comprehensive income for the year	-	-	1,873,644	-	1,873,644
Dividends paid	-	-	(718,645)	(557,594)	(1,276,239)
Dividends proposed	-	-	(591,910)	591,910	-
Balance at 31 December 2022	2,105,621	6,960	2,273,661	591,910	4,978,152

Deloitte. 德勤

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

Opinion

We have audited the consolidated financial statements of China Medical System Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 77 to 185, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

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

Key Audit Matters - continued

Key audit matter	How our audit addressed the key audit matter
Impairment of Goodwill	
We identified the impairment of goodwill allocated to the cash generating unit of Tianjin Kangzhe Vision Pharmaceutical Technology Development Co., Ltd. ("Tianjin Kangzhe") as a key audit matter due to the involvement of significant judgment of the management in determining the impairment of goodwill. The impairment of goodwill is determined based on the higher of fair value less costs of disposal and value in use of the cash generating unit. The recoverable amount has been determined based on value in use calculation, which is based on the cash flow forecasts prepared by management. The impairment model is sensitive to changes in the key assumptions including growth rates, discount rate and the forecast performance based on management's view of future business prospects. As at 31 December 2023, the carrying value of goodwill was RMB990,333,000. Details relating to the Group's goodwill and key sources of estimation uncertainty are set out in Note 19 and Note 4 to the consolidated financial statements, respectively.	Our procedures in relation to the impairment of goodwill included: • Making inquiries with management on their bases and assumptions used in relation to the preparation of the value in use calculation; • Checking the mathematical accuracy of the value in use calculation; • Evaluating the reasonableness of the key assumptions including growth rates, discount rate and the forecast performance used by the management with reference to the historical performance; • Checking the inputs used in the cash flow forecast against supporting documentation, on a sample basis; • Evaluating the sensitivity analysis prepared by the management on discount rate and growth rates to assess the extent of impact on the value in use calculation; • Evaluating the independent professional external valuer's competence, capabilities and objectivity; and • Involving our internal valuation specialists to assess the appropriateness of valuation methodology and discount rate adopted.

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

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Sy, Sunnie.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	NOTES	2023 RMB'000	2022 RMB'000
Revenue	5	8,013,285	9,150,347
Cost of goods sold		(1,904,119)	(2,114,500)
Gross profit		6,109,166	7,035,847
Other income	6	232,091	198,578
Other gains and losses	7	(335,997)	(4,195)
Selling expenses		(2,511,341)	(2,721,312)
Administrative expenses		(656,628)	(636,612)
Finance costs	8	(46,251)	(49,086)
Research and development expenses		(195,134)	(125,431)
Share of results of associates		274,977	65,061
Share of result of a joint venture		2,888	-
Profit before tax		2,873,771	3,762,850
Income tax expense	11	(489,341)	(486,655)
Profit for the year	12	2,384,430	3,276,195
Other comprehensive (expenses) income			
Item that will not be reclassified to profit or loss:			
Fair value loss on investments in equity instruments at fair value through other comprehensive income		(133,155)	(196,197)
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive income of associates		5,507	35,357
Exchange differences arising on translation of foreign operations		1,074	16,092
Exchange differences arising on translation of Interests in associates		14,589	18,315
Change in fair value on cash flow hedges			
- fair value (loss) gain		(8,902)	10,861
- deferred tax relating to change in fair value		652	(892)
Other comprehensive expense for the year, net of income tax		(120,235)	(116,464)
Total comprehensive income for the year		2,264,195	3,159,731
Profit (loss) for the year attributable to:			
Owners of the Company		2,400,940	3,258,992
Non-controlling interests		(16,510)	17,203
		2,384,430	3,276,195
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		2,280,705	3,142,528
Non-controlling interests		(16,510)	17,203
		2,264,195	3,159,731
		RMB	RMB
Earnings per share	14		
Basic		0.9792	1.3281

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2023

	NOTES	2023 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment	15	397,616	425,480
Right-of-use assets	16	76,124	69,979
Interests in associates	17(a)	3,271,934	3,044,818
Interest in a joint venture	17(b)	179,049	-
Intangible assets	18	2,216,092	2,066,423
Goodwill	19	1,547,903	1,665,993
Equity instruments at fair value through other comprehensive income	20(b)	163,893	297,048
Deposits paid for acquisition of intangible assets	23	1,013,395	1,285,415
Amounts due from associates	24	30,000	30,000
Deferred tax assets	31	40,396	39,007
		8,936,402	8,924,163
Current assets			
Inventories	21	637,636	477,206
Financial assets at fair value through profit or loss	20(a)	1,832,258	1,491,336
Trade and other receivables and prepayments	22	1,568,587	2,043,944
Loan receivable		35,945	70,168
Tax recoverable		784	253
Derivative financial instruments	32	-	42,021
Amounts due from associates	24	408,167	328,072
Bank balances and cash	25	4,311,058	4,376,376
		8,794,435	8,829,376
Current liabilities			
Trade and other payables	26	436,976	563,194
Lease liabilities	27	15,416	15,804
Contract liabilities	28	12,733	21,614
Bank borrowings	29	1,269,650	1,783,337
Derivative financial instrument	32	17,227	562
Deferred consideration payables		1,000	1,000
Tax liabilities		295,784	327,819
Obligation arising from put options	30	-	163,773
		2,048,786	2,877,103
Net current assets		6,745,649	5,952,273
Total assets less current liabilities		15,682,051	14,876,436

	NOTES	2023 RMB'000	2022 RMB'000
Capital and reserves			
Share capital	33	83,991	83,991
Reserves	34	15,436,217	14,505,076
Equity attributable to owners of the Company		15,520,208	14,589,067
Non-controlling interests		36,199	148,010
		15,556,407	14,737,077
Non-current liabilities			
Deferred tax liabilities	31	108,973	124,959
Lease liabilities	27	16,671	13,491
Deferred consideration payables		-	909
		125,644	139,359
		15,682,051	14,876,436

The consolidated financial statements on pages 77 to 185 were approved and authorised for issue by the Board of Directors on 27 March 2024 and are signed on its behalf by:

LAM Kong
DIRECTOR

CHEN Yanling
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

	Attributable to owners of the Company													
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000 (Note 34)	Surplus reserve fund RMB'000 (Note 34)	Translation reserve RMB'000	Hedging reserve RMB'000	Investments revaluation reserve RMB'000	Share-based payments reserve RMB'000	Other reserve RMB'000	Accumulated profits RMB'000	Dividend reserve RMB'000	Sub-total RMB'000	Attributable to non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2022	84,177	2,153,817	19,545	362,151	(25,882)	(1,719)	(66,501)	(37,432)	76,352	9,630,342	557,594	12,752,444	94,543	12,846,987
Profit for the year	-	-	-	-	-	-	-	-	-	3,258,992	-	3,258,992	17,203	3,276,195
Share of other comprehensive income of associates	-	-	-	-	35,357	-	-	-	-	-	-	35,357	-	35,357
Exchange differences arising on translation of foreign operations	-	-	-	-	16,092	-	-	-	-	-	-	16,092	-	16,092
Exchange differences arising on translation of interests in an associate	-	-	-	-	18,315	-	-	-	-	-	-	18,315	-	18,315
Fair value loss on investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	(196,197)	-	-	-	-	(196,197)	-	(196,197)
Change in fair value on cash flow hedges														
- fair value gain	-	-	-	-	-	10,861	-	-	-	-	-	10,861	-	10,861
- deferred tax relating to change in fair value	-	-	-	-	-	(892)	-	-	-	-	-	(892)	-	(892)
Total comprehensive income (expense) for the year	-	-	-	-	69,764	9,969	(196,197)	-	-	3,258,992	-	3,142,528	17,203	3,159,731
Repurchase of ordinary shares (Note 33)	(186)	(48,196)	-	-	-	-	-	-	-	-	-	(48,382)	-	(48,382)
Acquisition of a subsidiary (Note 42(b))	-	-	-	-	-	-	-	-	-	-	-	-	3,174	3,174
Non-controlling interests arising from incorporation of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	33,090	33,090
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	18,716	-	-	-	18,716	-	18,716
Dividends paid (Note 13)	-	-	-	-	-	-	-	-	-	(718,645)	(557,594)	(1,276,239)	-	(1,276,239)
Dividends proposed (Note 13)	-	-	-	-	-	-	-	-	-	(591,910)	591,910	-	-	-
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	20,675	-	-	(20,675)	-	-	-	-
Transfer of reserves	-	-	-	32,734	-	-	-	-	-	(32,734)	-	-	-	-
Balance at 31 December 2022	83,991	2,105,621	19,545	394,885	43,882	8,250	(242,023)	(18,716)	76,352	11,525,370	591,910	14,589,067	148,010	14,737,077
Profit (loss) for the year	-	-	-	-	-	-	-	-	-	2,400,940	-	2,400,940	(16,510)	2,384,430
Share of other comprehensive income of associates	-	-	-	-	5,507	-	-	-	-	-	-	5,507	-	5,507
Exchange differences arising on translation of foreign operations	-	-	-	-	1,074	-	-	-	-	-	-	1,074	-	1,074
Exchange differences arising on translation of interests in associates	-	-	-	-	14,589	-	-	-	-	-	-	14,589	-	14,589
Fair value loss on investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	(133,155)	-	-	-	-	(133,155)	-	(133,155)
Change in fair value on cash flow hedges														
- fair value loss	-	-	-	-	-	(8,902)	-	-	-	-	-	(8,902)	-	(8,902)
- deferred tax relating to change in fair value	-	-	-	-	-	652	-	-	-	-	-	652	-	652
Total comprehensive income (expense) for the year	-	-	-	-	21,170	(8,250)	(133,155)	-	-	2,400,940	-	2,280,705	(16,510)	2,264,195
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	1,560	-	-	-	1,560	-	1,560
Repurchase of shares from non-controlling interests	-	-	-	-	-	-	-	54,588	(76,352)	68,435	-	46,671	1,749	48,420
Share-based payment forfeited	-	-	-	-	-	-	-	(37,432)	-	-	-	(37,432)	-	(37,432)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(73,886)	(73,886)
Deemed disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(23,164)	(23,164)
Dividends paid (Note 13)	-	-	-	-	-	-	-	-	-	(768,453)	(591,910)	(1,360,363)	-	(1,360,363)
Dividends proposed (Note 13)	-	-	-	-	-	-	-	-	-	(191,991)	191,991	-	-	-
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	3,222	-	-	(3,222)	-	-	-	-
Transfer of reserves	-	-	-	30,750	-	-	-	-	-	(30,750)	-	-	-	-
Balance at 31 December 2023	83,991	2,105,621	19,545	425,635	65,052	-	(371,956)	-	-	13,000,329	191,991	15,520,208	36,199	15,556,407

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	NOTES	2023 RMB'000	2022 RMB'000
OPERATING ACTIVITIES			
Profit before tax		2,873,771	3,762,850
Adjustments for:			
Amortisation of intangible assets	18	163,504	165,769
Impairment loss on goodwill		-	60,000
Impairment loss on interest in a joint venture		44,000	-
Impairment loss on intangible assets		8,025	-
Impairment loss on inventories		33,215	-
Impairment loss on prepayment		23,450	-
Impairment loss on financial assets under expected credit loss model, net of reversal		52,723	110
Impairment loss on deposit paid for acquisition of intangible assets		163,462	2,003
Interest expenses		45,213	37,553
Depreciation of property, plant and equipment	15	45,797	43,310
Depreciation of right-of-use assets	16	20,264	18,147
Loss on disposal of property, plant and equipment		265	403
Imputed interest expense on deferred consideration payables		91	173
Imputed interest expense on obligation rising from put options		947	11,360
Share of results of associates		(274,977)	(65,061)
Share of result of a joint venture		(2,888)	-
Interest income		(146,475)	(105,515)
Dividends from financial assets at FVTPL		(30,620)	-
Net foreign exchange (gain) loss		(3,494)	155,744
Change in fair value of derivative financial instruments		49,785	(41,889)
Change in fair value of financial assets at fair value through profit or loss		16,750	(150,009)
(Reversal of) share-based payments, net		(35,872)	18,716
Operating cash flows before movements in working capital		3,046,936	3,913,664
(Increase) decrease in inventories		(235,767)	8,156
Decrease in trade and other receivables and prepayments		410,558	163,914
Increase in amounts due from associates		(80,095)	(8,036)
Decrease in trade and other payables		(82,845)	(71,858)
Decrease in contract liabilities		(8,881)	(2,101)

	NOTES	2023 RMB'000	2022 RMB'000
Cash generated from operations		3,049,906	4,003,739
People's Republic of China (the "PRC") Enterprise Income Tax paid		(391,922)	(284,566)
Hong Kong Profits Tax paid		(569)	(122)
Macau Complementary Income Tax paid		(154,562)	(165,808)
NET CASH FROM OPERATING ACTIVITIES		2,502,853	3,553,243
INVESTING ACTIVITIES			
Interest received		146,475	103,152
Dividend received from an associate		180,421	31,305
Dividends received from financial assets at FVTPL		30,620	-
Purchase of property, plant and equipment		(27,490)	(18,336)
Payments for right-of-use assets		(14,701)	-
Proceeds from disposal of property, plant and equipment		318	2,323
Disposal of financial assets at fair value through profit or loss		20,343	185
Disposal of equity instruments at fair value through other comprehensive income		-	2,841
Purchase of financial assets at fair value through profit or loss		(378,015)	(363,638)
Purchase of equity instruments at fair value through other comprehensive income		-	(95,615)
Purchase of intangible assets		(6,604)	-
Payments for rental deposits		(859)	(184)
Deposits paid for acquisition of intangible assets		(269,165)	(506,585)
Acquisition of an associate		-	(233,713)
Capital injection to associates		(112,464)	(36,117)
Net cash outflow on deemed disposal of a subsidiary	43	(11,155)	-
Loan to third parties		-	(34,823)
Net cash outflow on acquisition of subsidiaries	42	-	(28,997)
NET CASH USED IN INVESTING ACTIVITIES		(442,276)	(1,178,202)

	NOTE	2023 RMB'000	2022 RMB'000
FINANCING ACTIVITIES			
New bank borrowings raised		1,276,535	1,375,013
Repayment for deferred consideration payable		(1,000)	(1,000)
Interest paid		(45,213)	(37,553)
Dividends paid	13	(1,360,363)	(1,276,239)
Repayment of bank borrowings		(1,786,728)	(1,427,993)
Repayments of lease liabilities		(18,069)	(16,850)
Repurchase of shares from non-controlling interest		(116,300)	-
Dividends paid to non-controlling interest		(73,886)	-
Payment on repurchase of shares		-	(48,382)
Capital contribution from non-controlling interest		-	33,090
NET CASH USED IN FINANCING ACTIVITIES		(2,125,024)	(1,399,914)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(64,447)	975,127
CASH AND CASH EQUIVALENT AT THE BEGINNING OF YEAR		4,376,376	3,385,739
Effects of exchange rate changes on the balance of cash held in foreign currencies		(871)	15,510
CASH AND CASH EQUIVALENT AT THE END OF YEAR REPRESENTED BY BANK BALANCES AND CASH		4,311,058	4,376,376

1. GENERAL INFORMATION

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

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

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

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

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

In the current year, the Group has applied the following new and amendments to IFRSs for the first time, which are mandatorily effective for the annual periods beginning on 1 January 2023 for the preparation of the consolidated financial statements:

IFRS 17	Insurance Contracts (including the relevant amendments)
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two model Rules
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

New and amendments to IFRSs that are mandatorily effective for the current year - continued

Impacts on application of Amendments to IAS 8 Definition of Accounting Estimates

The Group has applied the amendments for the first time in the current year. The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current year had no material impact on the consolidated financial statements.

Impacts on application of Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. IAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 *Making Materiality Judgements* (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in Note 3 to the consolidated financial statements.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

Amendments to IFRSs in issue but not yet effective

The Group has not early applied the following Amendments to IFRS Standards that have been issued but are not yet effective:

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1	Non-current Liabilities with Covenants[2]
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements[2]
Amendments to IAS 21	Lack of Exchangeability[3]

[1] Effective for annual periods beginning on or after a date to be determined
[2] Effective for annual periods beginning on or after 1 January 2024
[3] Effective for annual periods beginning on or after 1 January 2025

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

Amendments to IAS 1 Classification of Liabilities as Current or Non-current (the "2020 Amendments") and Amendments to IAS 1 Non-current Liabilities with Covenants (the "2022 Amendments")

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 *Financial Instruments: Presentation.*
- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

Amendments to IFRSs in issue but not yet effective - continued

Amendments to IAS 1 Classification of Liabilities as Current or Non-current (the "2020 Amendments") and Amendments to IAS 1 Non-current Liabilities with Covenants (the "2022 Amendments") *- continued*

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if the entity classify liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group's outstanding liabilities as at 31 December 2023, the application of the 2020 and 2022 Amendments will not result in reclassification of the Group's liabilities.

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

3.1 Basis of preparation of consolidated financial statements

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

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

3.2 Material accounting policy information

Basis of consolidation

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

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

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

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

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

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

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

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

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

3.2 Material accounting policy information - continued

Basis of consolidation - continued

Changes in the Group's interests in existing subsidiaries

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Goodwill

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

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

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

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

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

3.2 Material accounting policy information - continued

Goodwill - continued

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

Interests in associates and a joint venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

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

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

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

3.2 Material accounting policy information - continued

Interests in associates and a joint venture - continued

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

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

Property, plant and equipment

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

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

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

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

3.2 Material accounting policy information - continued

Property, plant and equipment - continued

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

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

Intangible assets

Intangible assets acquired separately

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

Internally-generated intangible assets -research and development expenditure

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

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

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

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

3.2 Material accounting policy information - continued

Intangible assets - continued

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

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

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

Intangible assets acquired in a business combination

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

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

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

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

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

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

3.2 Material accounting policy information - continued

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

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

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

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

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

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

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

3.2 Material accounting policy information - continued

Cash and cash equivalents

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

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

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

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Inventories

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

Financial instruments

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

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

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

3.2 Material accounting policy information - continued

Financial instruments - continued

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

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

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

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

3.2 Material accounting policy information - continued

Financial instruments - continued

Financial assets - continued

Classification and subsequent measurement of financial assets - continued

(i) Amortised cost and interest income

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

(ii) Equity instruments designated as at FVTOCI

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

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

(iii) Financial assets at FVTPL

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

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss and is included in the "other gains and losses" line item.

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

3.2 Material accounting policy information - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets subject to impairment assessment under IFRS 9

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

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

The Group always recognises lifetime ECL for trade receivables.

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

(i) Significant increase in credit risk

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

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

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

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

3.2 Material accounting policy information - continued

Financial instruments - continued

Financial assets - continued

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

(i) Significant increase in credit risk - continued

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

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

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

3.2 Material accounting policy information - continued

Financial instruments - continued

Financial assets - continued

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

(iii) Credit-impaired financial assets - continued

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

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

3.2 Material accounting policy information - continued

Financial instruments - continued

Financial assets - continued

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

(v) Measurement and recognition of ECL - continued

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

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

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

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

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

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

Foreign exchange gains and losses

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

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

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

3.2 Material accounting policy information - continued

Financial instruments - continued

Financial assets - continued

Foreign exchange gains and losses - continued

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

Derecognition of financial assets

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

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

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

Financial liabilities and equity instruments

Classification as debts or equity

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

Equity instruments

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

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

3.2 Material accounting policy information - continued

Financial instruments - continued

Financial liabilities and equity instruments - continued

Equity instruments - continued

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

Financial liabilities

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

Financial liabilities at FVTPL

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

A financial liability is held for trading if:

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

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

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

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

3.2 Material accounting policy information - continued

Financial instruments - continued

Financial liabilities and equity instruments - continued

Financial liabilities at FVTPL - continued

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

Financial liabilities at amortised cost

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

Bank borrowings

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

Foreign exchange gains and losses

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

Derecognition of financial liabilities

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

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

3.2 Material accounting policy information - continued

Revenue from contracts with customers

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

Taxation

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

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

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

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

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

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

3.2 Material accounting policy information - continued

Taxation - continued

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

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

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

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

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

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

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

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

3.2 Material accounting policy information - continued

Foreign currencies

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

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

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

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

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

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

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

3.2 Material accounting policy information - continued

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Government grants relating to compensation of expenses are deducted from the related expenses, other government grants are presented under "other income".

Retirement benefit costs

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

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

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

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

Short-term employee benefits

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Estimated impairment of goodwill

For the purpose of impairment testing, the entire amount of goodwill has been allocated to eight (2022: nine) cash generating units ("CGU"s) (see note 19). The impairment assessment is based on the higher of fair value less costs of disposal and value in use of the CGUs. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate the present value. The value in use calculation is sensitive to changes in the key assumptions including growth rates, discount rate and the forecast performance based on management's view of future business prospects. Where the actual future cash flows are less than expected or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss/further impairment loss may arise.

During the year ended 31 December 2023, no impairment on goodwill (2022: RMB60,000,000) was recognised in profit or loss. As at 31 December 2023, the carrying amount of goodwill is approximately RMB1,547,903,000 (2022: RMB1,665,993,000) (net of accumulated impairment loss of RMB170,000,000 (2022: RMB250,000,000)).

Estimated impairment of intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is determined as the higher of its fair value less costs of disposal and its value in use. The recoverable amount is estimated with reference to the value in use calculation in order to determine the extent of the impairment loss, if any. The value in use calculation is sensitive to changes in the key assumptions including growth rates, discount rate and the forecast performance based on management's view of future business prospects. If the recoverable amount of an intangible asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. During the year ended 31 December 2023, an impairment loss of RMB8,025,000 (2022: nil) was recognised in profit or loss. As at 31 December 2023, the carrying amount of intangible assets is approximately RMB2,216,092,000 (2022: RMB2,066,423,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY - continued

Provision of ECL for trade receivables

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

The provision of ECL is sensitive to changes in estimates. As at 31 December 2023, the carrying amount of trade receivables amounted to RMB1,146,738,000 (2022: RMB1,442,035,000) were net of impairment allowance under ECL model. The information about the ECL and the Group's trade receivables are disclosed in notes 36 and 22, respectively.

Fair value measurement of financial instruments

As at 31 December 2023, the Group's unquoted equity instruments at FVTOCI amounting to RMB125,344,000 (2022: RMB233,047,000) and financial assets, being unlisted investments at FVTPL amounting to RMB1,829,656,000 (2022: RMB1,491,336,000), are measured at fair values with fair values being determined based on significant unobservable inputs using valuation techniques and the relevant inputs thereof. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. See note 20 for further disclosures.

Estimated impairment of deposits paid for acquisition of intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its deposits paid for acquisition of intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated with reference to the value in use calculation in order to determine the extent of the impairment loss, if any. The value in use calculation is sensitive to changes in the key assumptions including growth rates, discount rate and the forecast performance based on management's view of future business prospects. If the recoverable amount of the deposits paid for acquisition of intangible assets is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. During the year ended 31 December 2023, an impairment loss of RMB163,462,000 (2022: RMB2,003,000) was recognised in profit or loss. As at 31 December 2023, the carrying amount of the deposits paid for acquisition of intangible assets is approximately RMB1,013,395,000 (2022: RMB1,285,415,000).

5. REVENUE AND SEGMENT INFORMATION

(i) Disaggregation of revenue from contracts with customers

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

At a point in time	2023 RMB'000	2022 RMB'000
Sales of pharmaceutical products	5,936,515	7,055,729
Promotion income	2,076,770	2,094,618
Total revenue	8,013,285	9,150,347

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

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

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

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

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

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

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

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

5. REVENUE AND SEGMENT INFORMATION - continued

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

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. All the revenue contracts are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Variable consideration

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

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

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

Principal versus agent

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

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

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

5. REVENUE AND SEGMENT INFORMATION - continued

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

Principal versus agent - continued

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

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

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

(iii) Segment information

The Group determines its operating segments based on the internal reports reviewed by the Executive Directors of the Company, being the chief operating decision maker that are used for resources allocation and assessment of segment performance.

The Group only has one reportable operating segment that is research and development, promotion, sales and manufacturing of pharmaceutical products. No operating results and discrete financial information is available for the assessment of performance of the respective business divisions and resources allocation purpose. Therefore, no analysis of the Group's revenue, results, assets and liabilities by operating segments is presented.

The Group's research and development, production, promotion and sale of medicines are primarily in the PRC. Almost all revenue from external customers is attributed to the PRC, 86% and 14% (2022: 79% and 21%) of non-current assets excluding amounts due from associates, derivative financial instruments and deferred tax assets of the Group are located in the PRC and Dubai, respectively.

Sales to the largest customer of the Group account for 20.2% (2022: 14.4%) of the Group's sales and no other single customers contribute over 10% of the total revenue of the Group for the year ended 31 December 2023.

6. OTHER INCOME

	2023 RMB'000	2022 RMB'000
Interest income	146,475	105,515
Government subsidies (Note)	85,616	93,063
	232,091	198,578

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

7. OTHER GAINS AND LOSSES

	2023 RMB'000	2022 RMB'000
Impairment loss on goodwill	-	(60,000)
Impairment loss on interest in a joint venture	(44,000)	-
Impairment loss on deposit paid for acquisition of intangible assets	(163,462)	(2,003)
Impairment loss on intangible assets	(8,025)	-
Impairment loss on prepayment	(23,450)	-
Impairment loss on inventory	(33,215)	-
Impairment losses under ECL model, net of reversal	(52,723)	(110)
Loss on disposal of property, plant and equipment	(265)	(403)
Net foreign exchange gain (loss)	31,540	(126,214)
Change in fair value of derivative financial instruments	(49,785)	41,889
Change in fair value of financial assets at FVTPL	(16,750)	150,009
Dividends from financial assets at FVTPL	30,620	-
Others	(6,482)	(7,363)
	(335,997)	(4,195)

8. FINANCE COSTS

	2023 RMB'000	2022 RMB'000
Interest on bank borrowings	42,997	35,455
Interest on lease liabilities	2,216	2,098
Interest on obligation arising from put options	947	11,360
Imputed interest on deferred consideration payables	91	173
	46,251	49,086

9. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

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

	Year ended 31 December 2022						
	Executive Directors (Note b)		Independent Non-executive Directors (Note c)			Executive Director and chief executive (Note b)	
	Chen Hong Bing	Chen Yan Ling	Fung Ching, Simon	Leung Chong Shun	Luo, Laura Ying	Lam Kong	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Note a)	RMB'000
Fees	308	308	308	308	308	308	1,848
Other emoluments							
Salaries and other benefits	4,397	3,144	-	-	-	5,182	12,723
Contributions to retirement benefits schemes	103	30	-	-	-	31	164
Total emoluments	4,808	3,482	308	308	308	5,521	14,735

Notes:

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

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

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

Notes: - continued

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

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

10. EMPLOYEES' EMOLUMENTS

The five highest paid individuals for the year ended 31 December 2023 included 3 directors (2022: 3 directors), details of whose emoluments are set out in note 9 above. The emoluments of the remaining two (2022: two) individuals for the year ended 31 December 2023 were as follows:

	2023 RMB'000	2022 RMB'000
Employees		
- basic salaries and allowances	4,979	5,689
- equity-settled share-based expense	-	18,716
- retirement benefits scheme contributions	109	97
	5,088	24,502

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

	Number of employees	
	2023	2022
HK$2,500,001 to HK$3,000,000	2	-
HK$3,500,001 to HK$4,000,000	-	1
HK$25,000,001 to HK$26,000,000	-	1

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

11. INCOME TAX EXPENSE

	2023 RMB'000	2022 RMB'000
Current tax:		
The PRC Enterprise Income Tax ("EIT")	265,088	330,406
Hong Kong Profits Tax	63,744	2,317
Macau Complementary Income Tax	69,287	143,409
Withholding tax	83,198	-
	481,317	476,132
Under provision in prior years:		
The PRC EIT	8,590	14,450
Hong Kong Profits Tax	579	-
	9,169	14,450
Deferred taxation (note 31):		
- Current year	(1,145)	(3,927)
	489,341	486,655

Notes:

(a) The PRC Enterprise Income Tax

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

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

天津康哲維盛醫藥科技發展有限公司 (Formerly known as 天津康哲醫藥科技發展有限公司) (Tianjin Kangzhe Vision Pharmaceutical Technology Development Co., Ltd.) ("Tianjin Kangzhe") is entitled to a reduced tax rate of 15% (2022: 15%) granted by the local tax authority until 2023. 康哲（湖南）制藥有限公司 (Kangzhe (Hunan) Medical Co., Ltd.) ("Kangzhe Hunan") is entitled to a reduced tax rate of 15% (2022: 15%) granted by local tax authority until 2025. 西藏康哲藥業發展有限公司 (Tibet Kangzhe Pharmaceutical Development Co., Ltd) ("Tibet Kangzhe Development") is entitled to a reduced tax rate of 9% (2022: 9%) granted by local tax authority until 2025. 海南康哲美麗科技有限公司 (Hainan Kangzhe Aesthetics Technology Co., Ltd) is entitled to a reduced tax rate of 15% (2022: 15%) granted by local tax authority until 2024.

11. INCOME TAX EXPENSE - continued

Notes:- continued

(b) Hong Kong Profits Tax

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

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

(c) PRC Withholding Income Tax

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

(d) Overseas Income tax

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

(e) Macau Complementary Income Tax

Macau Complementary Income Tax is calculated at the progressive rate on the estimated assessable profits. The maximum tax rate is 12% for the years ended 31 December 2023 and 2022.

(f) Dubai Tax

The United Arab Emirates does not have a federal corporate income tax regime. Instead, corporate income tax is determined on a territorial basis under the respective Tax Decrees issued by the government of each individual Emirate (of which there are seven that make up the United Arab Emirates), among which Dubai has no legislation imposing corporate income taxes. On the basis of the above, most entities registered in Dubai are currently not required to file corporate tax returns in Dubai, regardless of where the business is registered. According to prevailing regulations in Dubai, no income tax is imposed on the Company's subsidiaries in Dubai.

11. INCOME TAX EXPENSE - continued

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

	2023 RMB'000	2022 RMB'000
Profit before tax	2,873,771	3,762,850
Tax at PRC EIT rate of 25%	718,443	940,713
Tax effect of share of results of associates	(68,744)	(16,265)
Tax effect of share of result of a joint venture	(722)	-
Tax effect of expenses that are not deductible in determining taxable profit	138,053	100,862
Tax effect of income that is not taxable in determining taxable profit	(14,783)	(870)
Tax effect of offshore income that is not taxable in determining taxable profit	-	(94,400)
Tax effect of tax losses not recognised	22,251	23,247
Tax effect of deductible temporary differences not recognised	(2,717)	6,838
Tax effect of tax concession	(231,162)	(203,779)
Effect on different applicable tax rates of subsidiaries	(90,031)	(135,332)
Effect of taxable profit that is not taxable in Dubai	(75,770)	(143,256)
Under provision in prior years	9,169	14,450
Withholding tax	83,198	-
Others	2,156	(5,553)
Income tax expense for the year	489,341	486,655

12. PROFIT FOR THE YEAR

	2023 RMB'000	2022 RMB'000
Profit for the year has been arrived at after charging:		
Directors' remuneration (note 9)		
Fees	1,938	1,848
Salaries and other benefits	13,770	12,723
Contribution to retirement benefits schemes	171	164
	15,879	14,735
Other staff costs	1,252,100	1,189,251
Equity-settled share-based expense, net of reversal upon cancellation	(35,872)	18,716
Contribution to retirement benefits schemes	279,850	217,691
Employee benefits expense (note 41)	5,160	5,760
Total staff costs	1,517,117	1,446,153
Auditor's remuneration	4,211	4,246
Depreciation of property, plant and equipment	45,797	43,310
Depreciation of right-of-use assets	20,264	18,147
Amortisation of intangible assets (included in cost of goods sold)	163,504	165,769
Cost of inventories recognised as an expense	1,732,806	1,941,753

13. DIVIDENDS

	2023 RMB'000	2022 RMB'000
Dividends paid		
Dividends recognised as distributions during the year:		
2023 Interim - RMB0.3134 (2022: 2022 Interim dividend RMB0.2930) per share	768,453	718,645
2022 Final - RMB0.2414 (2022: 2021 final dividend RMB0.2269) per share	591,910	557,594
	1,360,363	1,276,239
Dividends proposed		
Dividends proposed during the year:		
2023 final - RMB0.0783 (2022: 2022 final - RMB0.2414) per share	191,991	591,910

Subsequent to the end of the reporting period, the Board of Directors have declared a final dividend of RMB0.0783 per ordinary share for the year ended 31 December 2023 (2022: RMB0.2414 per ordinary share).

14. EARNINGS PER SHARE

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

	2023 RMB'000	2022 RMB'000
Earnings for the purposes of basic earnings per share (profit for the year attributable to owners of the Company)	2,400,940	3,258,992

	Number of ordinary shares as at 31 December	
	2023	2022
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,451,988,512	2,453,940,224

The computation of diluted earnings per share did not assume the exercise of put options by the non-controlling shareholder of a subsidiary as the exercise of the put option would result in an increase of earnings per share for the year ended 31 December 2022.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvement	Plant and machinery	Motor vehicles	Furniture, fixtures and equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At 1 January 2022	329,981	60,948	182,393	36,907	37,097	13,125	660,451
Additions	9	5,072	5,537	73	7,118	527	18,336
Acquired on acquisition of a subsidiary	-	-	-	-	26	-	26
Disposals	-	-	(2,235)	(3,134)	(2,500)	-	(7,869)
Transfer	-	73	-	-	831	(904)	-
At 31 December 2022	329,990	66,093	185,695	33,846	42,572	12,748	670,944
Additions	255	11,548	3,051	68	12,157	411	27,490
Disposals	-	(117)	(255)	(393)	(1,864)	-	(2,629)
Deemed disposal of a subsidiary (Note 43)	(19,484)	-	(15,117)	(201)	(2,738)	(434)	(37,974)
Transfer	103	3,989	5,633	-	3,000	(12,725)	-
At 31 December 2023	310,864	81,513	179,007	33,320	53,127	-	657,831
ACCUMULATED DEPRECIATION							
At 1 January 2022	74,226	19,986	71,451	29,037	12,597	-	207,297
Provided for the year	13,162	7,174	13,643	3,559	5,772	-	43,310
Eliminated on disposals	-	-	(1,440)	(2,821)	(882)	-	(5,143)
At 31 December 2022	87,388	27,160	83,654	29,775	17,487	-	245,464
Provided for the year	14,697	10,744	11,875	2,187	6,294	-	45,797
Eliminated on disposals	-	-	(227)	(185)	(1,634)	-	(2,046)
Eliminated on deemed disposal of a subsidiary (Note 43)	(13,199)	-	(13,057)	(185)	(2,559)	-	(29,000)
At 31 December 2023	88,886	37,904	82,245	31,592	19,588	-	260,215
CARRYING VALUES							
At 31 December 2023	221,978	43,609	96,762	1,728	33,539	-	397,616
At 31 December 2022	242,602	38,933	102,041	4,071	25,085	12,748	425,480

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

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

As at 31 December 2023 and 2022, the Group had no pledged property, plant and equipment to source bank borrowing and banking facilities granted to the Group.

16. RIGHT-OF-USE ASSETS

	Leasehold land	Building	Total
	RMB'000	RMB'000	RMB'000
As at 31 December 2023			
Carrying amount	45,890	30,234	76,124
As at 31 December 2022			
Carrying amount	42,091	27,888	69,979
For the year ended 31 December 2023			
Depreciation charge	996	19,268	20,264
For the year ended 31 December 2022			
Depreciation charge	1,218	16,929	18,147

	Year ended 31/12/2023	Year ended 31/12/2022
	RMB'000	RMB'000
Expense relating to short-term leases	26,780	12,340
Total cash outflow for leases	(47,065)	(31,288)
Additions to right-of-use assets	35,562	11,413

For both years, the Group leases offices premises and warehouses for its operations. For the year ended 31 December 2023, lease contracts are entered into for fixed term of 1 year to 20 years (2022: 1 year to 5 years) with fixed payment. The Group does not have the option to purchase the leased properties for a nominal amount at the end of the relevant lease terms or any extension/termination options which are solely at the Group's discretion. The Group's obligations are secured by the rental deposits for such leases. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The Group determines the lease period to be the non-cancellable period based on the contractual terms of the contract.

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

As at 31 December 2023 and 2022, the Group had no pledged right-of-use assets to source ure general banking facilities granted to the Group.

The Group regularly entered into short-term leases for offices premises and warehouses. As at 31 December 2023 and 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

16. RIGHT-OF-USE ASSETS - continued

During the year ended 31 December 2023, the Group had made payments of RMB14,701,000 (2022: nil) for leasehold land which were recognised as additions to right-of-use assets. All the Group's leasehold lands represented prepaid land use right, are located in the PRC.

17. INTERESTS IN ASSOCIATES/A JOINT VENTURE

(a) Interests in associates

	2023 RMB'000	2022 RMB'000
Cost of investments in associates		
Listed outside Hong Kong	2,304,356	2,304,356
Unlisted	412,294	299,830
Share of post-acquisition profits and other comprehensive income, net of dividends received	522,380	422,317
Exchange adjustments	32,904	18,315
	3,271,934	3,044,818
Fair value of listed investment (Note)	4,519,786	3,326,859

Note: As at 31 December 2023, the fair value of the Group's interest in its listed associate, Tibet Rhodiola Pharmaceutical Holding Company ("Tibet Pharmaceutical"), of which its shares are listed on the Shanghai Stock Exchange (the "SSE"), was approximately RMB4,520 million (2022: approximately RMB3,327 million) based on the quoted market price available on the SSE, which is a level 1 input in terms of IFRS 13 Fair Value Measurement.

As at 31 December 2023 and 2022, details of the associates are as follows:

Names of associates	Place of establishment/ incorporation	Principal place of business	Proportion of ownership interest /voting rights held by the Group		Principal activities
			2023	2022	
Tibet Pharmaceutical (Note i)	Tibet	Tibet	37.36%	37.36%	Production of medicines and sale of drugs
Shenzhen Kangmai Biotechnology Co., Ltd. (Note ii)	PRC	PRC	50.00%	50.00%	Research and development of antibodies medicines
Eye Tech Care (Note iii)	France	France	36.17%	36.17%	Research and development of therapeutic ultrasound device
PharmaGend Global Medical Services Pte. Ltd (formerly known as Rxilient Biohub Pte. Ltd (Note iv)	Singapore	Singapore	45.00%	N/A	Production of medicines and sale of drugs

17. INTERESTS IN ASSOCIATES/A JOINT VENTURE - continued

(a) Interests in associates - continued

Notes:

(i) As the Group is able to exercise significant influence over Tibet Pharmaceutical in both years, it is accounted for as an associate of the Group. Included in the cost of investment in Tibet Pharmaceutical as at 31 December 2023, there is a goodwill of approximately RMB1,654,481,000 (2022: RMB1,654,481,000).

As at 31 December 2023 and 2022, no impairment indicator on interest in Tibet Pharmaceutical and no impairment assessment was carried out.

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

(iii) In August 2022, the Group entered into an investment agreement in which the Group acquired 36.17% equity interest of Eye Tech Care ("ETC") for a consideration of EUR34,000,000 (approximately equivalent to RMB233,713,000) and the investment was accounted for as an investment in an associate using the equity method. Included in the cost of investment in ETC as at 31 December 2023, there is a goodwill of approximately RMB192,693,000 (2022: RMB180,346,000).

(vi) On 20 October 2023, Rxilient Biohub Pte. Ltd ("Rxilient Biohub"), originally a wholly-owned subsidiary of the Group, entered into a share subscription agreement with its shareholders, pursuant to which the registered capital of Rxilient Biohub was increased from US$200,000 to US$30,000,000, and upon the completion of the subscription, the Group owns 45.00% of the enlarged registered capital of Rxilient Biohub, and therefore, the investment in Rxilient Biohub was accounted for as an investment in an associate using the equity method. On 20 December 2023, Rxilient Biohub was renamed as PharmaGend Global Medical Services Pte. Ltd.

Summarised financial information of associates

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

17. INTERESTS IN ASSOCIATES/A JOINT VENTURE - continued

(a) Interests in associates - continued

Summarised financial information of associates - continued

Tibet Pharmaceutical

	31.12.2023 RMB'000	31.12.2022 RMB'000
Current assets	3,402,862	2,712,114
Non-current assets	1,184,495	1,387,298
Current liabilities	(1,184,470)	(1,026,205)
Non-current liabilities	(29,266)	(42,436)

	2023 RMB'000	2022 RMB'000
Revenue	3,134,328	2,554,609
Profit for the year	800,914	375,277
Other comprehensive income for the year	18,236	94,398
Total comprehensive income for the year	819,150	469,675
Dividends received from the associate during the year	180,421	31,305

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

	31.12.2023 RMB'000	31.12.2022 RMB'000
Net assets of Tibet Pharmaceutical	3,373,621	3,030,771
Non-controlling interests	(29,032)	(19,031)
	3,344,589	3,011,740
Proportion of the Group's ownership interest in Tibet Pharmaceutical	37.36%	37.36%
	1,249,538	1,125,186
Goodwill	1,654,481	1,654,481
Effect of fair value adjustment at acquisition	32,861	32,861
Effect of deferred tax relating to fair value adjustment at acquisition	(8,215)	(8,215)
Other adjustments	(8,989)	(6,610)
Carrying amount of the Group's interest in Tibet Pharmaceutical	2,919,676	2,797,703

17. INTERESTS IN ASSOCIATES/A JOINT VENTURE - continued

(a) Interests in associates - continued

Summarised financial information of associates - continued

ETC

	31.12.2023 RMB'000	31.12.2022 RMB'000
Current assets	128,844	156,237
Non-current assets	7,718	9,494
Current liabilities	(28,835)	(30,857)
Non-current liabilities	(19,302)	(24,792)

	2023 RMB'000	For the period from 12 August 2022 (date of acquisition) to 31 December 2022 RMB'000
Revenue	1,604	907
Loss for the year/period	(39,351)	(9,943)
Other comprehensive expense for the year/period	(153)	(761)
Total comprehensive loss for the year/period	(39,504)	(10,704)

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

	31.12.2023 RMB'000	31.12.2022 RMB'000
Net assets of ETC	88,425	110,082
Proportion of the Group's ownership interest in ETC	36.17%	36.17%
	31,983	39,817
Goodwill	168,075	168,075
Exchange adjustment of Goodwill	24,618	12,271
Effect of fair value adjustment at acquisition	24,841	24,841
Other adjustments	(2,284)	2,111
Carrying amount of the Group's interest in ETC	247,233	247,115

17. INTERESTS IN ASSOCIATES/A JOINT VENTURE - continued

(a) Interests in associates - continued

Summarised financial information of associates – continued

Aggregate information of associates that are nor individually material

	31.12.2023 RMB'000	31.12.2022 RMB'000
The Group's share of losses and total comprehensive Expense for the year	(7,622)	(65,798)
Unrecognised shares of losses of associates for the year	-	(11,397)
Cumulative unrecognised share of losses of associates	-	(11,397)

(b) Interest in a joint venture

	2023 RMB'000
Cost of investment in a joint venture (note 43)	220,161
Share of post-acquisition profits and other comprehension income	2,888
Impairment loss on interest in a joint venture	(44,000)
	179,049

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

Name of joint venture	Place of establishment/ incorporation	Principal place of business	ownership interest /voting rights held by the Group 2023	2022	Principal activities
Hebei Xinglong Xili Pharmaceutical Co., Ltd. ("Xili Pharmaceutical") (Note)	Hebei	Hebei	52.01%	52.01%	Production of medicines and sale of drugs

Note: In February 2023, the Group entered into a shareholder agreement with the other shareholders of Xili Pharmaceutical, which was a subsidiary of the Group at the time, pursuant to which the Articles of Association of Xili Pharmaceutical was amended in which unanimous consent from the board of directors of Xili Pharmaceutical is required for all operating decisions. Accordingly, the directors of the Company concluded that the control over Xili Pharmaceutical was given up on that date. The investment on Xili Pharmaceutical was considered deemed disposed and was accounted for as an investment in a joint venture using the equity method afterward. Further details of the deemed disposal of Xili Pharmaceutical are set out in note 43.

17. INTERESTS IN ASSOCIATES/A JOINT VENTURE - continued

(b) Interest in a joint venture - continued

Summarised financial information of a joint venture

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

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

Xili Pharmaceutical

	31.12.2023 RMB'000
Current assets	109,874
Non-current assets	76,422
Current liabilities	(40,165)
Non-current liabilities	(15,343)

The above amounts of assets and liabilities include the following:

	31.12.2023 RMB'000
Cash and cash equivalents	9,442
Current financial liabilities (excluding trade and other payables and provisions)	-
Non-current financial liabilities (excluding trade and other payables and provisions)	(15,343)

17. INTERESTS IN ASSOCIATES/A JOINT VENTURE - continued

(b) Interest in a joint venture - continued

Summarised financial information of a joint venture - continued

Xili Pharmaceutical - continued

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

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

	31.12.2023 RMB'000
Net assets of Xili Pharmaceutical	130,788
Proportion of the Group's ownership interest in Xili Pharmaceutical	52.01%
	68,023
Goodwill	111,026
Carrying amount of the Group's interest in Xili Pharmaceutical	179,049

18. INTANGIBLE ASSETS

	Exclusive distribution rights	Patent rights	Product rights	Others	Total
	RMB'000 (Note a & Note b(i))	RMB'000 (Note b)	RMB'000 (Note c)	RMB'000	RMB'000
COST					
At 1 January 2022	2,213,429	359,137	872,656	90	3,445,312
Transfer from deposits paid for acquisition of intangible assets	9,650	-	-	-	9,650
Acquired on acquisition of subsidiaries (note 42)	5,248	-	-	1,597	6,845
At 31 December 2022	2,228,327	359,137	872,656	1,687	3,461,807
Transfer from deposits paid for acquisition of intangible assets	358,936	-	18,787	-	377,723
Additions	2,830	-	3,774	-	6,604
Deemed disposal of a subsidiary (note 43)	-	(114,489)	-	-	(114,489)
At 31 December 2023	2,590,093	244,648	895,217	1,687	3,731,645
AMORTISATION					
At 1 January 2022	658,706	170,790	317,738	53	1,147,287
Charge for the year	113,905	10,534	41,228	102	165,769
At 31 December 2022	772,611	181,324	358,966	155	1,313,056
Charge for the year	116,562	5,184	41,582	176	163,504
Eliminated on deemed disposal of a subsidiary (note 43)	-	(51,360)	-	-	(51,360)
At 31 December 2023	889,173	135,148	400,548	331	1,425,200
IMPAIRMENT LOSS					
At 1 January 2022 and 31 December 2022	24,730	57,598	-	-	82,328
Recognised in the year	8,025	-	-	-	8,025
At 31 December 2023	32,755	57,598	-	-	90,353
CARRYING VALUES					
At 31 December 2023	1,668,165	51,902	494,669	1,356	2,216,092
At 31 December 2022	1,430,986	120,215	513,690	1,532	2,066,423

18. INTANGIBLE ASSETS - continued

Notes:

(a) Exclusive distribution rights

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

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

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

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

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

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

18. INTANGIBLE ASSETS - continued

Notes: - continued

(a) Exclusive distribution rights - continued

(ii) - continued

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

During the years ended 31 December 2023 and 2022, management reviews the performance of the Three Products and concludes that there is no indication that the impairment losses previously recognised no longer exist or have decreased.

As at 31 December 2023 and 2022, the exclusive distribution rights are fully impaired.

(iii) On 26 February 2016, the Group entered into an exclusive license agreement with AstraZeneca AB, an independent third party, pursuant to which AstraZeneca AB granted an exclusive license to the Group for the commercialisation of Plendil (Felodipine Sustained Release Tablet) in the PRC, at a consideration of US$310,000,000 (equivalent to approximately RMB2,029,012,000). US$155,000,000 had been paid in 2016 and the remaining balance of US$155,000,000 had been paid in 2017. As at 31 December 2023, the carrying amount of the exclusive distribution right was approximately RMB1,234,316,000 (2022: RMB1,335,766,000).

Under the exclusive license agreement, the Group has agreed to meet certain pre-agreed annual sales target in relation to the sales of Pendil in the PRC for the first three years of the term of the exclusive license agreement from years ended 31 December 2016 to 2018 and the annual sales target of respective years has been met. No additional annual sales target is required under the exclusive license agreement during the years ended 31 December 2023 and 2022.

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

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

18. INTANGIBLE ASSETS - continued

Notes: - continued

(a) Exclusive distribution rights - continued

(iv) - continued

The fair value of the exclusive agency rights at the date of acquisition was determined based on the royalty rate method by capitalising future royalty income which a market participant would be willing to pay to use the exclusive agency rights for the remaining term of the exclusive agency rights. As at the acquisition date, the exclusive agency rights of prescription medical aesthetic products owned by Luqa amounted to RMB101,509,000. As at 31 December 2023, the carrying amount was approximately RMB61,081,000 (2022: RMB79,704,000).

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

(v) On 27 June 2019, the Group entered into an exclusive license agreement with Sun Pharmaceutical Industrial Ltd., an independent third party, pursuant to which Sun Pharmaceutical Industrial Ltd. granted an exclusive license to the Group for the commercialisation of Tildrakizumab Injection in the PRC, at a consideration of US$32,000,000 (equivalent to approximately RMB221,687,000). During the year ended 31 December 2023, regulatory approval of Tildrakizumab Injection has been obtained from the National Medical Products Administration of the People's Republic of China ("NMPA") and the related deposits paid for acquisition of the exclusive distribution right has been transferred to intangible assets accordingly. As at 31 December 2023, the carrying amount of the exclusive distribution right under intangible assets was of approximately RMB295,150,000 (2022: nil).

(b) Acquisition of exclusive distribution rights and patent rights

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

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

18. INTANGIBLE ASSETS - continued

Notes: - continued

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

(i) - continued

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

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

During the year ended 31 December 2023 and 2022, management reviews the performance of YiNuoShu and concludes that there is no indication that the impairment loss previously recognised no longer exist or have decreased.

As at 31 December 2023 and 2022, the carrying amounts of patent rights of YiNuoShu and ShaDuoLiKa and exclusive distribution rights owned by Tianjin Kangzhe were nil, nil and nil, respectively.

The Group also acquired the exclusive distribution right and patent right of XiDaKang amounting to RMB5,813,000 and RMB7,715,000, respectively through the acquisition of a former subsidiary, Kangzhe Guangming. As at 31 December 2023, the carrying amount of the exclusive distribution right and patent right of XiDaKang were approximately RMB1,298,000 and RMB1,018,000, respectively (2022: RMB1,597,000 and RMB1,248,000).

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

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

18. INTANGIBLE ASSETS - continued

Notes: - continued

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

(ii) - continued

Pursuant to the transfer agreement, the 51% interest in the patent right of XiDaKang was also transferred from Kangzhe Guangming to Kangzhe Hunan. Starting from 27 December 2013, Kangzhe Hunan has replaced Kangzhe Guangming as the patent right owner of XiDaKang. As at 31 December 2023, the carrying amount of the patent right was approximately RMB10,929,000 (2022: RMB13,451,000).

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

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

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

During the year ended 31 December 2016, Kangzhe Lengshuijiang was deregistered and merged with Kangzhe Hunan. The assets and liabilities held by Kangzhe Lengshuijiang were transferred to Kangzhe Hunan at the time of merger and Kangzhe Hunan is responsible for the production of GanFuLe after the merger. As at 31 December 2023, the carrying amount of the patent right of GanFuLe was approximately RMB1,249,000 (2022: RMB2,611,000).

The expected useful live of the patent right is 11 years.

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

18. INTANGIBLE ASSETS - continued

Notes: - continued

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

(iv) - continued

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

In February 2023, the patent right of DanShenTong was disposed through the deemed disposal of Xili Pharmaceutical. As at 31 December 2022, the carrying amount was approximately RMB64,199,000. Please refer to note 43 for the details of deemed disposal of Xili Pharmaceutical.

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

The fair value of the patent right at the date of acquisition was determined based on the royalty rate method by capitalising future royalty income which a market participant would be willing to pay to use the patent right for the remaining term of the patent right. As at the acquisition date, the patent right of the medical aesthetic device owned by Carnation amounted to RMB38,706,000. As at 31 December 2023, the related patent is not yet available for use and are not amortised. The expected useful life of the patent rights is 10 years.

(c) Acquisition of product rights

(i) On 1 July 2014, the Group entered into a series of agreements related to Stulln with an independent third party, Pharma Stulln GmbH ("Pharma") in connection with the transfer of all assets related to Stulln for the Chinese market (including Hong Kong and Macau Special Administration Regions ("SAR")), including but not limited to the right of manufacturing Stulln for the Chinese market, marketing authorisation for the Chinese market and relevant intellectual property rights, including trademark in Chinese characters and know-how of Stulln, and has been licensed the exclusive right to utilise the trademark in English characters, at a consideration of EUR10,000,000 (equivalent to approximately RMB72,317,000). During the year ended 31 December 2014, the residual balance of the exclusive agency right of Stulln of approximately RMB14,625,000 was transferred to product right accordingly. As at 31 December 2023, the carrying amount of the product right was approximately RMB40,071,000 (2022: RMB43,887,000).The expected useful life of the product right is 20 years.

18. INTANGIBLE ASSETS - continued

Notes: - continued

(c) Acquisition of product rights - continued

(ii) On 17 December 2014, the Group entered into a series of agreements related to Lamisil Tablet and Parlodel Tablet (the "Products") with two independent third parties, Novartis AG and Novartis Pharma AG, the suppliers of the Products in Switzerland in connection with the transfer of all assets related to the Products, including the drug production license of Lamisil Tablet, co-marketing authorisation in Switzerland and imported drug license in China of Parlodel Tablet, all know-how, books and records, commercial and medical information exclusively to the Products for Chinese market (For Lamisil Tablet, Chinese market refers to Chinese Mainland; For Parlodel Tablet, Chinese market refers to Chinese Mainland and Hong Kong SAR and Taiwan), at a consideration of US$25,000,000 (equivalent to approximately RMB152,972,000). As at 31 December 2023, the carrying amount was approximately RMB89,287,000 (2022: RMB97,404,000).

The expected useful life of the product rights is 20 years.

(iii) On 25 March 2015, the Group entered into a series of agreements related to Combizym and Hirudoid (the "Purchased Products") with an independent third party, DKSH International AG, in connection with the purchase of (i) all trademarks regarding the Purchased Products; (ii) all market authorisations or similar licenses, certificates or approvals regarding the Purchased Products and all rights, benefits or other interests obtained; (iii) the exclusive right and title to develop, manufacture, register, apply for registration, import, market, distribute, sell or otherwise use and/or exploit the Purchased Products; and (iv) all books and records, commercial information and medical information related to the Purchased Products, with respect to Combizym in China, Hong Kong and Switzerland, and certain other designated countries or areas in Asia, and with respect to Hirudoid in China, at a consideration of Swiss Franc ("CHF") 76,600,000 (equivalent to approximately RMB486,019,000). As at 31 December 2023, the carrying amount was approximately RMB289,026,000 (2022: RMB314,717,000).

The expected useful life of the product rights is 20 years.

(iv) On 30 December 2014, the Group entered into an agreement related to Movicol (the "Product") with an independent third party, Norgine B.V., in connection with the purchase of the right to import, register, market, distribute, promote and sell the Product in the PRC including Hong Kong and Macau (the "Product Right"), at a consideration of EUR9,000,000 (equivalent to approximately RMB72,100,000), and such consideration has been recognised as deposit paid for acquisition of intangible asset as the Product is still under still under approval by the regulatory body. During the year ended 31 December 2019, the commercialisation of the Product has been approved by relevant regulatory body and therefore, the deposit has been transferred to intangible assets as it is probable that the expected future economic benefits that are attributable to the Product Right will flow to the Group. As at 31 December 2023, the carrying amount was approximately RMB54,075,000 (2022: RMB57,680,000).

The expected useful life of the product rights is 20 years.

19. GOODWILL

	RMB'000
COST	
At 1 January 2022	1,881,179
Arising on acquisition of subsidiaries (note 42)	34,814
At 31 December 2022	1,915,993
Deemed disposal of a subsidiary (note 43)	(198,090)
At 31 December 2023	1,717,903
IMPAIRMENT LOSS	
At 1 January 2022	190,000
Impairment loss recognised during the year	60,000
At 31 December 2022	250,000
Impairment loss recognised during the year	-
Eliminated on deemed disposal of a subsidiary (note 43)	(80,000)
At 31 December 2023	170,000
CARRYING VALUES	
At 31 December 2023	1,547,903
At 31 December 2022	1,665,993

For the purposes of impairment testing, the entire amount of goodwill has been allocated to eight (2022: nine) CGUs, representing eight (2022: nine) subsidiaries, namely Tianjin Kangzhe, Kangzhe Hunan, Sky United Trading Limited ("Sky United"), Tibet Kangzhe Development, Luqa, Carnation, Xuli and Heling (as defined in note 42) (2022: Tianjin Kangzhe, Kangzhe Hunan, Sky United, Xili Pharmaceutical, Tibet Kangzhe Development, Luqa, Carnation, Xuli and Heling.). Tianjin Kangzhe is engaged in marketing, promotion and sale of drugs. Sky United and Tibet Kangzhe Development are engaged in trading of drugs. Kangzhe Hunan and Xili Pharmaceutical are engaged in production of medicines. Luqa and Xuli are engaged in sales of medical aesthetic products. Carnation is engaged in research and development and manufacture of energy-based medical aesthetic devices. Heling is engaged in research, development and production of skincare products. The carrying amounts of goodwill (net of accumulated impairment losses) allocated to these units are as follows:

	2023 RMB'000	2022 RMB'000
Tianjin Kangzhe	990,333	990,333
Kangzhe Hunan	21,295	21,295
Sky United	2,963	2,963
Xili Pharmaceutical	-	118,090
Tibet Kangzhe Development	1,854	1,854
Luqa	460,002	460,002
Carnation	36,642	36,642
Xuli	30,576	30,576
Heling	4,238	4,238
	1,547,903	1,665,993

19. GOODWILL - continued

The recoverable amounts of Tianjin Kangzhe, Kangzhe Hunan, Sky United, Tibet Kangzhe Development, Luqa, Carnation, Xuli and Heling are determined based on value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past performance and expectations of future changes in the market.

Tianjin Kangzhe

At 31 December 2023, the impairment review is determined based on cash flow projections which were derived from the financial budgets approved by management covering a five-year period, with a discount rate of 13.6% (2022: 13.0%). Tianjin Kangzhe's cash flows beyond the five-year period are extrapolated using a growth rate of 2% (2022: 3%). This growth rate is based on management's best estimate and past experience on the industry.

During the year ended 31 December 2023 and 2022, no impairment loss was recognised.

Kangzhe Hunan

At 31 December 2023, the impairment review is determined based on cash flow projections which were derived from the financial budgets approved by management covering a five-year period, with a discount rate of 13.0% (2022: 12.9%). Kangzhe Hunan's cash flows beyond the five-year period are extrapolated using a growth rate of 2% (2022: 3%). This growth rate is based on management's best estimate and past experience on the industry.

During the years ended 31 December 2023 and 2022, no impairment loss was recognised.

Xili Pharmaceutical

As mentioned on note 43, in February 2023, the Group had a deem disposal of Xili Pharmaceutical, which became a joint venture of the Group with effect from 1 March 2023.

At 31 December 2022, the impairment review is determined based on cash flow projections which were derived from the financial budgets approved by management covering a five-year period, with a discount rate of 14.9%. Xili Pharmaceutical's cash flows beyond the five-year period are extrapolated using a growth rate of 3%. This growth rate is based on management's best estimate and past experience on the industry.

19. GOODWILL - continued

Luqa

At 31 December 2023, the impairment review is determined based on cash flow projections which were derived from the financial budgets approved by management covering a five-year period, with a discount rate of 14.6% (2022: 15.2%). Luqa's cash flows beyond the five-year period are extrapolated using a growth rate of 2% (2022: 3%). This growth rate is based on management's best estimate and past experience on the industry. During the year ended 31 December 2023 and 2022, no impairment loss was recognised.

Carnation

At 31 December 2023, the impairment review is determined based on cash flow projections which were derived from the financial budgets approved by management covering a five-year period, with a discount rate of 23.8% (2022: 25.2%). Carnation's cash flows beyond the five-year period are extrapolated using a growth rate of 2% (2022: 3%). This growth rate is based on management's best estimate and past experience on the industry. During the year ended 31 December 2023 and 2022, no impairment loss was recognised.

Xuli

At 31 December 2023, the impairment review is determined based on cash flow projections which were derived from the financial budgets approved by management covering a five-year period, with a discount rate of 13.1% (2022: 14.0%). Xuli's cash flows beyond the five-year period are extrapolated using a growth rate of 2% (2022: 3%). This growth rate is based on management's best estimate and past experience on the industry. During the year ended 31 December 2023 and 2022, no impairment loss was recognised.

The goodwill of Sky United, Tibet Kangzhe Development and Heling was immaterial as at the end of both reporting periods. No impairment loss was recognised for both years.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(a) Financial assets at FVTPL

	2023 RMB'000	2022 RMB'000
Listed investments:		
Equity securities listed on the Hong Kong Stock Exchange (the "HKEX") (Note i)	2,602	-
Unlisted investments:		
Capital funds (Note ii)	843,190	734,102
Equity securities (Note iii)	986,466	757,234
	1,829,656	1,491,336
Total	1,832,258	1,491,336

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME- continued

(a) Financial assets at FVTPL - continued

Notes:

(i) The listed equity investment represents ordinary shares of one entity listed on the HKEX. The investment is held for trading and its fair value is based on the quoted market price. During the year ended 31 December 2023, the Group invested approximately RMB4,784,000 into the listed equity investment. As at 31 December 2023, the fair values of the equity investments amounted to RMB2,602,000, and a loss on change in fair value of RMB2,182,000 has been recognised in profit and loss.

(ii) During the year ended 31 December 2023, the Group further invested approximately RMB145,505,000 (2022: RMB301,178,000) into various capital funds. During the year ended 31 December 2023, the Group disposed investment in a capital fund amounted to RMB20,343,000. As at 31 December 2023, the fair values of these capital funds amounted to RMB843,190,000 (2022: RMB734,102,000), and a loss on change in fair value of RMB16,074,000 (2022: a gain of RMB50,100,000) has been recognised in profit and loss.

A&B (HK) Company Limited ("A&B"), a company wholly-owned by a controlling shareholder of the Company, also had invested in certain capital funds invested by the Group. As at 31 December 2023, the fair values of these capital funds were RMB11,331,000 (2022: RMB8,693,000)

(iii) During the year ended 31 December 2023, the Group further invested approximately RMB227,726,000 (2022: RMB62,460,000) in various unlisted equity investments. As at 31 December 2023, the fair values of the equity investments amounted to RMB986,466,000 (2022: RMB757,234,000), and a gain on change in fair value of RMB1,506,000 (2022: a gain of RMB100,334,000) has been recognised in profit and loss.

A&B also had equity interest in a certain unlisted equity investment invested by the Group. As at 31 December 2023, the fair value of the unlisted equity investment was RMB3,380,000 (2022: RMB3,138,000).

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME- continued

(b) Equity instruments at FVTOCI

	2023 RMB'000	2022 RMB'000
Listed investments:		
Equity securities listed on		
London Stock Exchange Plc (the "LSE") (Note i)	21,830	16,493
Euronext N.V. (the "ENV") (Note ii)	16,707	38,416
New York Stock Exchange (the "NYSE") (Note iii)	-	9,092
National Association of Securities Dealers Automated Quotations (the "NASDAQ") (Note i)	12	-
	38,549	64,001
Unlisted investments:		
Equity securities (Note iv)	125,344	233,047
Total	163,893	297,048

The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

(i) The listed equity investment represents ordinary shares of the following one (2022: two) entity listed on LSE. The investments are denominated in Great British Pound ("GBP") and the fair values are based on the quoted market price.

(a) Biodexa Pharmaceuticals PLC (formerly known as “Midatech Pharma Plc”) (“Biodexa”) - the Group invested approximately GBP4,000,000 (equivalent to RMB34,705,000) in Midatech during year ended 31 December 2019.

(b) Destiny Pharma Plc ("Destiny") - the Group first invested approximately GBP 3,000,000 (equivalent to RMB 26,291,000) in Destiny during the year ended 31 December 2017. The Group further invested GBP1,000,000 (equivalent to RMB8,435,000) in Destiny during the year ended 31 December 2020.

As at 31 December 2023, the fair value of Destiny amounted to RMB21,830,000 (2022: RMB15,490,000), and a gain on change in fair value of RMB6,340,000 (2022: a fair value loss of RMB15,681,000) has been recognised in other comprehensive income.

As at 31 December 2023, the fair value of Biodexa amounted to RMB12,000 (2022: RMB1,003,000), and a loss on change in fair value of RMB991,000 (2022: a fair value loss of RMB7,156,000) has been recognised in other comprehensive income. During the year ended 31 December 2023, Biodexa transferred its listing from LSE to NASDAQ.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME- continued

(b) Equity instruments at FVTOCI - continued

(i) - continued

As at 31 December 2023 and 2022, A&B also had equity interest in Biodexa and Destiny.

(ii) The listed equity investment represents ordinary shares of Acticor Biotech ("Acticor"), which became listed on ENV on 1 November 2021. The Group first invested approximately EUR4,000,000 (equivalent to RMB30,607,000) in Acticor during the year ended 31 December 2018. The Group further invested EUR 1,000,000 (equivalent to RMB7,595,000) in Acticor during the year ended 31 December 2021. The investment is denominated in EUR and the fair value is based on the quoted market price.

As at 31 December 2023, the fair value of the equity investment amounted to RMB16,707,000 (2022: RMB38,416,000), and a loss on change in fair value of RMB21,709,000 (2022: a fair value gain of RMB14,177,000) has been recognised in other comprehensive income.

As at 31 December 2023 and 2022, A&B also had equity interest in Acticor.

(iii) The listed equity investment represents ordinary shares of Gelesis Holdings, Inc. ("Gelesis"). Gelesis became listed on NYSE on 18 January 2022. The Group first invested approximately US$20,000,000 (equivalent to RMB142,633,000) in Gelesis during the year ended 31 December 2020. The Group further invested US$15,000,000 (equivalent to RMB95,615,000) in Gelesis during the year ended 31 December 2022. During the year ended 31 December 2023, Gelesis had delisted and the fair value of the equity investment amounting to nil as at 31 December 2023.

As at 31 December 2023, the fair value of the equity investments amounted to nil (2022: RMB9,092,000), and a loss on change in fair value of RMB9,092,000 (2022: a loss of RMB200,780,000) has been recognised in other comprehensive income.

(iv) The unlisted equity investments represent the Group's equity interests in the various biotech/ pharmaceutical companies.

As at 31 December 2023, the fair values of the equity investments amounted to RMB125,344,000 (2022: RMB233,047,000). The fair values of the above unlisted equity investments were performed by a professional independent valuer. During the years ended 31 December 2023, a loss on change in fair value of RMB107,703,000 (2022: a gain of RMB13,243,000) has been recognised in other comprehensive income.

A&B also had equity interest in certain unlisted equity investments invested by the Group.

21. INVENTORIES

	2023 RMB'000	2022 RMB'000
Raw materials	31,497	9,739
Work in progress	8,888	32,243
Finished goods	597,251	435,224
	637,636	477,206

22. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2023 RMB'000	2022 RMB'000
Trade receivables	1,156,770	1,451,678
Less: Allowance for credit losses	(10,032)	(9,643)
	1,146,738	1,442,035
Bills receivables	180,960	269,579
Purchase prepayments	148,939	211,746
Other receivables and deposits	91,950	120,584
	1,568,587	2,043,944

As at 1 January 2022, trade receivables from contracts with customers amounted to RMB1,395,789,000.

The Group normally allows a credit period ranging from 0 to 90 days to its trade customers, but longer credit period up to four months is allowed to some selected customers.

The following is an analysis of trade receivables by age, net of allowance for credit losses presented based on the dates of receipt of goods at the respective reporting dates, which approximate the revenue recognition dates and an analysis of bill receivables by age, net of allowance for credit losses, presented based on the bills issuance date at the end of the reporting period:

	2023 RMB'000	2022 RMB'000
Trade receivables		
0 - 90 days	1,127,469	1,363,828
91 - 365 days	19,269	57,802
Over 365 days	-	20,405
	1,146,738	1,442,035
Bill receivables		
0 - 90 days	105,719	185,133
91 - 120 days	19,380	31,241
121 - 180 days	55,861	53,205
	180,960	269,579

22. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS - continued

As at 31 December 2023, total bills receivables amounting to RMB180,960,000 (2022: RMB269,579,000) are held by the Group. All bills receivables by the Group are accepted by banks with a maturity period of less than six months.

As at 31 December 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB18,039,000 (2022: RMB95,554,000) which are past due at the reporting date. RMB4,588,000 (2022: RMB30,622,000) was more than 90 days past due and is not considered as in default. Based on the historical experiences of the Group, trade receivables past due are generally recoverable due to the long-term relationship and good repayment record.

The Group does not hold any collateral over these balances. Details of impairment assessment of trade and other receivables as at 31 December 2023 and 2022 are set out in note 36.

23. DEPOSITS PAID FOR ACQUISITION OF INTANGIBLE ASSETS

	2023 RMB'000	2022 RMB'000
Deposits paid for acquisition of intangible assets paid to:		
Sun Pharmaceutical Industrial Ltd.	172,669	394,356
Incyte	215,307	215,307
Gelesis Inc. (Note)	-	140,693
Wuxi App Tec (Shanghai) Co. Ltd.	157,169	77,000
Medac Gesellschaft Fur Klinische Speziallpraparate M.B.H	-	40,824
Cosmo Technologies Ltd.	54,158	32,625
Jiangxi Shimei Pharmaceutical Co., Ltd.	45,000	45,000
YZY Biopharma, Ltd.	40,874	33,761
Cadila Healthcare Limited	27,904	27,904
Shandong Innovative Drug Research and Development Co., Ltd.	54,000	36,000
Can-Fite BioPharma	13,446	13,446
Jiangsu Xihong Biopharma Co., Ltd	20,000	-
Almirall, S.A	14,502	-
NeuroDwan Pharmaceutical Co. Ltd,	28,302	-
Others	170,064	228,499
	1,013,395	1,285,415

These deposits were paid to independent third parties not connected with the Group for certain exclusive distribution or product rights of medical products to be approved by relevant regulatory bodies for the sales in specific territories. During the year ended 31 December 2023, the Group made approximately RMB269,165,000 (2022: RMB506,585,000) additional deposits in various medical products. During the year ended 31 December 2023, amount of RMB377,723,000 (2022: RMB9,650,000) of certain exclusive distribution or product rights have been transferred to intangible assets when regulatory approvals of the products have been obtained. During the year ended 31 December 2023, an impairment loss of RMB163,462,000 (2022: RMB2,003,000) was recognised in profit or loss.

Note: During the year ended 31 December 2023, an impairment loss of RMB140,693,000 (2022: nil) was recognised in profit or loss as Gelesis Inc. has filed a voluntary petition for relief in the United States Bankruptcy Court.

24. AMOUNTS DUE FROM ASSOCIATES

As at 31 December 2023, the balance of approximately RMB30,000,000 (2022: RMB30,000,000) was non-trade nature and non-interest bearing, represented deposit to Tibet Pharmaceutical for exclusive distribution right.

As at 31 December 2023, the balance of approximately RMB408,167,000 (2022: RMB328,072,000) was trade nature and non-interest bearing, represented promotion income receivables from Tibet Pharmaceutical and associates. The Group allows a credit period of 90 days to Tibet Pharmaceutical. The balance as at 31 December 2023 was aged within three months (2022: within three months) based on the invoice date.

25. BANK BALANCES AND CASH

Cash and cash equivalents/pledged/restricted bank deposits

Cash and cash equivalents include short term deposits for the purpose of meeting the Group's short term cash commitments, which carry interest at market rates range from 0.25% to 5.45% (2022: 0.30% to 3.40%). Included in bank balances mainly are the following amounts denominated in currencies other than functional currency of the relevant group entities:

	2023 RMB'000	2022 RMB'000
Euro ("EUR")	516,647	26,132
Hong Kong Dollar ("HK$")	18,833	47,505
United States Dollar ("US$")	1,473,920	194,890

Details of the impairment of bank balances are set out in note 36.

26. TRADE AND OTHER PAYABLES

An aging analysis of the trade payables presented based on the invoice date at the end of the reporting periods is as follows:

	2023 RMB'000	2022 RMB'000
0 - 90 days	136,568	164,837
91 - 365 days	4,171	11,715
Over 365 days	925	1,457
Trade payables	141,664	178,009
Payroll and welfare payables	178,074	200,360
Other tax payables	21,222	61,318
Accrued promotion expenses	39,177	71,273
Accruals	42,609	34,743
Other payables	14,230	17,491
	436,976	563,194

The credit period on purchases of goods is ranging from 0 to 120 days.

27. LEASE LIABILITIES

	2023 RMB'000	2022 RMB'000
Lease liabilities payable:		
Within one year	15,416	15,804
Within a period of more than one year but not more than two years	7,536	8,601
Within a period of more than two years but not more than five years	9,135	4,890
	32,087	29,295
Less: Amount due for settlement with 12 months shown under current liabilities	(15,416)	(15,804)
Amount due for settlement after 12 months shown under non-current liabilities	16,671	13,491

28. CONTRACT LIABILITIES

	2023 RMB'000	2022 RMB'000
Receipts in advance from customers - finished goods	12,733	21,614

As at 1 January 2022, contract liabilities amounted to RMB23,715,000.

The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities.

	2023 RMB'000	2022 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	21,614	23,715

When the Group receives a deposit from customers before the goods are delivered to and received by the customers, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit.

29. BANK BORROWINGS

	2023 RMB'000	2022 RMB'000
Bank loans	1,269,650	1,783,337
Analysed as:		
Unsecured	1,269,650	1,783,337

	2023 RMB'000	2022 RMB'000
The carrying amounts of the above borrowings are repayable*:		
Within one year	1,269,650	1,783,337
	1,269,650	1,783,337
Less: Amounts due within one year shown under current liabilities	(1,269,650)	(1,783,337)
Amounts shown under non-current liabilities	-	-

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

29. BANK BORROWINGS - continued

The ranges of effective interest rates (which are also equal to contractual interest rate) on the Group's borrowings and their carrying values are as follows:

	2023 RMB'000	2022 RMB'000
Variable-rate borrowings		
Denominated in HK$ range from 5.27% to 5.87% per annum as at 31 December 2023 (2022: 4.87% to 5.30%) (Notes a & c)	679,650	1,281,886
Denominated in US$ (ranged from 5.29% to 6.17%) (Notes b & c)	-	501,451
Fixed-rate borrowings		
Denominated in RMB at fixed rate of 2.65% per annum as at 31 December 2023	590,000	-
Total	1,269,650	1,783,337

Notes:

(a) Variable rates range from Hong Kong Interbank Offered Rate ("HIBOR") plus 0.60% as at 31 December 2023 (2022: HIBOR plus 0.52% to HIBOR plus 0.95%).

(b) Variable rates range from London Interbank Offered Rate ("LIBOR") plus 0.70% to LIBOR plus 1.25% as at 31 December 2022.

(c) As at 31 December 2023, the Group uses interest rate swaps to minimise its exposure to interest rate movements on the variable-rate bank borrowings of approximately RMB679,650,000 (2022: RMB1,113,362,000). The principal amount of the variable-rate bank borrowings will be repayable on 13 September 2024 (2022: 24 March 2023, 27 March 2023 and 25 April 2023). Details of the interest rate swaps are disclosed in note 32.

As at 31 December 2023, the Group had unutilised banking facilities of approximately RMB2,550,000 (2022: RMB2,027,858,000).

30. OBLIGATION ARISING FROM PUT OPTIONS

	2023 RMB'000	2022 RMB'000
Obligation arising from put options	-	163,773

As of 31 December 2022, the obligation arising from put options in which the Group could be required to pay the non-controlling shareholders of CMS Skinhealth Investment Limited (formerly known as CMS Aesthetics Investment Limited), an indirect subsidiary of the Company was amounted to RMB163,773,000. During the year ended 31 December 2023, the shares of CMS Skinhealth Investment Limited have been repurchased from the non-controlling shareholders at a consideration of RMB116,300,000.

31. DEFERRED TAX

The following are the deferred tax assets (liabilities) recognised and movements thereon during the current and prior years:

	Unrealised profits on inventories	Fair value adjustments to assets acquired in business combinations	Unrealised profit of equity instruments at FVTOCI	Fair value change on cash flow hedges	Unrealised profit of equity instruments at FVTPL	Tax losses	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	19,831	(31,620)	(63,964)	240	(27,991)	15,027	1,201	(87,276)
Credit (charge) to profit or loss for the year (note 11)	3,247	3,294	-	-	(2,315)	(299)	-	3,927
Charge to other comprehensive income	-	-	-	(892)	-	-	-	(892)
Acquisitions of subsidiaries (note 42)	-	(1,711)	-	-	-	-	-	(1,711)
At 31 December 2022	23,078	(30,037)	(63,964)	(652)	(30,306)	14,728	1,201	(85,952)
Credit (charge) to profit or loss for the year (note 11)	1,966	3,055	-	-	(4,498)	622	-	1,145
Credit to other comprehensive income	-	-	-	652	-	-	-	652
Deemed disposal of a subsidiary (note 43)	-	16,777	-	-	-	(1,199)	-	15,578
At 31 December 2023	25,044	(10,205)	(63,964)	-	(34,804)	14,151	1,201	(68,577)

The following is the analysis of the deferred tax assets (liabilities) for financial reporting purposes:

	2023 RMB'000	2022 RMB'000
Deferred tax assets	40,396	39,007
Deferred tax liabilities	(108,973)	(124,959)
	(68,577)	(85,952)

31. DEFERRED TAX - continued

At 31 December 2023, the Group had unused tax losses of approximately RMB310,006,000 (2022: RMB230,012,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB89,682,000 (2022: RMB91,990,000) of such losses. No deferred tax asset has been recognised in respect of the remaining approximately RMB220,324,000 (2022: RMB138,022,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses at 31 December 2023 are tax losses of approximately RMB60,196,000 (2022: RMB44,937,000) that will expire within 5 years from the year of originating. Other tax losses may be carried forward indefinitely. During the year ended 31 December 2023, tax losses of approximately RMB4,795,000 (2022: RMB907,000) was expired.

As at 31 December 2023, the Group had deductible temporary differences of RMB820,023,000 (2022: RMB823,027,000) available for offsetting against future profits. A deferred tax asset has been recognised in respect of RMB100,176,000 (2022: RMB92,312,000) of such deductible temporary difference. No deferred tax asset has been recognised in respect of the remaining balance of RMB719,847,000 (2022: RMB730,715,000) as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiary, from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB8,125,080,000 (2022: RMB8,190,285,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

32. DERIVATIVE FINANCIAL INSTRUMENTS

	2023 RMB'000	2022 RMB'000
Current assets:		
Foreign exchange forward contracts	-	33,120
Derivative under hedging accounting		
- Cash flow hedges - interest rate swaps	-	8,901
	-	42,021
Current liabilities:		
Foreign exchange forward contract with interest rate Swap (2022: foreign exchange forward contract)	(17,227)	(562)

Foreign exchange forward contracts

The Group uses foreign exchange forward contracts to minimise its exposure to exchange rate change on its bank borrowings. The foreign exchange forward contracts and the corresponding bank borrowings have the same principal amounts and maturity dates. Major terms of the foreign exchange forward contracts as at 31 December 2023 and 2022 are set out below:

32. DERIVATIVE FINANCIAL INSTRUMENTS - continued

Foreign exchange forward contracts - continued

At 31 December 2023

Notional amount	Maturity date	Exchange rate range agreed
HK$750,000,000	13 September 2024	HK$1: RMB0.9280

At 31 December 2022

Notional amount	Maturity date	Exchange rate range agreed
US$32,000,000	20 March 2023	US$1: RMB6.3795 to RMB6.60
US$40,000,000	23 March 2023	US$1: RMB6.69 to RMB7.40
HK$685,000,000	25 April 2023	HK$1: RMB0.845 to RMB0.88
HK$750,000,000	7 September 2023	HK$1: RMB0.8910

During the year ended 31 December 2023, the fair value loss of approximately RMB49,785,000 (2022: the fair value gain of RMB41,889,000) has been recognised in "other gains and losses" line item (see note 7).

Interest rate swaps

The Group uses interest rate swaps to minimise its exposure to interest rate movements on its variable-rate bank borrowings. The interest rate swaps and the corresponding bank borrowings have the same terms, such as principal amounts, interest rate spread, start dates, repayment data, maturity and counterparties, and the directors of the Company consider that the interest rate swaps are highly effective hedging instruments. Major terms of the interest rate swaps as at 31 December 2023 and 2022 are set out below:

At 31 December 2023

Notional amount (Note)	Liability at carrying amount	Contract date	Maturity date	Receive	Pay
HK$750,000,000	RMB17,227,000	15 September 2023	13 September 2024	HIBOR + 0.60%	3.80%

At 31 December 2022

Notional amount (Note)	Assets at carrying amount	Contract date	Maturity date	Receive	Pay
US$40,000,000	RMB2,373,000	27 March 2020	24 March 2023	LIBOR + 0.7%	1.74%
US$32,000,000	RMB2,224,000	27 March 2020	27 March 2023	LIBOR + 1.25%	1.89%
HK$685,000,000	RMB4,304,000	25 April 2022	25 April 2023	HIBOR + 0.52%	2.35%

Note: The notional amount will be expired on 13 September 2024 (2022: 24 March 2023, 27 March 2023 and 25 April 2023), which are the same as corresponding bank borrowings.

32. DERIVATIVE FINANCIAL INSTRUMENTS - continued

Interest rate swaps - continued

The fair values of interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates. All of the above interest rate swaps are designated and effective as cash flow hedges. During the year ended 31 December 2023, the fair value loss of approximately RMB8,902,000 (2022: fair value gain of approximately RMB10,861,000), income tax of approximately RMB652,000 (2022: RMB892,000), resulting in a net amount of approximately RMB8,250,000 (2022: RMB9,969,000) have been recognised in other comprehensive income and accumulated in equity and are expected to be released to profit or loss at various dates during the lives of the swaps when the hedged interest expense is recognised in profit or loss.

33. SHARE CAPITAL

	Number of shares '000	Amount RMB'000
Ordinary shares of US$0.005 each		
Authorised		
At 1 January 2022, 31 December 2022 and 31 December 2023	20,000,000	765,218
Issued and fully paid		
At 1 January 2022	2,457,444	84,177
Shares repurchased and cancelled (Note)	(5,455)	(186)
At 31 December 2022 and 2023	2,451,989	83,991

Note: During the year ended 31 December 2022, the Company repurchased its own ordinary shares through The Stock Exchange of Hong Kong Limited as follows:

Month of repurchase	No. of ordinary shares of US$0.005 each	Price per share		Aggregated consideration paid
		Highest HK$	Lowest HK$	HK$
March 2022	130,000	11.34	11.04	1,447,520
April 2022	3,600,000	11.90	10.46	40,227,820
May 2022	1,000,000	11.16	10.64	10,976,200
September 2022	545,000	9.84	9.22	5,147,640
October 2022	180,000	9.08	8.90	1,616,220
Total	5,455,000			59,415,400

The above ordinary shares were cancelled upon repurchase.

Save as disclosed above, none of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the years ended 31 December 2023 and 2022.

34. RESERVES

Capital reserve

Capital reserve resulted from transactions between the Group and its shareholders. It mainly represents equity shares of Shenzhen Kangzhe granted by Mr. Lam Kong, a director and former shareholder of Shenzhen Kangzhe, to certain employees for their services rendered in prior year, rights granted by Mr. Lam Kong to certain employees to receive cash at a pre-determined formula for their services rendered in prior year, waiver of an advance to the Company by Mr. Lam Kong in 2006, discount on acquisitions of additional interest in subsidiaries from Mr. Lam Kong in 2004 and 2005, the difference between the transfer of the entire interest in Shenzhen Kangzhe to Sino Talent Limited ("Sino Talent") pursuant to the group restructuring in 2005 and the nominal value of Shenzhen Kangzhe's share capital, and difference between the par value of shares issued by the Company for the entire interest in CMS International Limited ("CMS International") and Healthlink Consultancy Inc. ("Healthlink") pursuant to the group reorganisation in 2006 and the nominal value of the issued share capital of CMS International and Healthlink in preparation for the listing of the Company's shares. The balance was reduced by the capitalisation issue in 2007. The equity shares and rights granted by Mr. Lam Kong to certain employees had been terminated on or before 2006.

On 19 April 2010, the Group acquired an additional interest in Sky United. An amount of approximately RMB15,026,000, representing the excess of the fair value of the new ordinary shares issued by the Company over the decrease in the carrying value of the non-controlling interest is charged to capital reserve.

During the year ended 31 December 2010, a deemed distribution to a shareholder was charged to capital reserve in respect of expenses incurred for a shareholder during the initial public offering exercise by the Company.

Surplus reserve fund

Articles of Association of the Group's subsidiaries established in the PRC require the appropriation of certain percentage of their profit after taxation each year to the surplus reserve fund until the balance reaches 50% of the registered capital of the relevant subsidiaries. In normal circumstances, the surplus reserve fund shall only be used for making up losses, capitalisation into registered capital and expansion of the subsidiaries' production and operation. For the capitalisation of surplus reserve fund into registered capital, the remaining amount of such reserve shall not be less than 25% of the registered capital.

35. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year. The capital structure of the Group consists of cash and cash equivalents, bank borrowings, obligation arising from put options and equity attributable to owners of the Company, comprising issued share capital and reserves including accumulated profits.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs.

36. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2023 RMB'000	2022 RMB'000
Financial assets		
Derivative financial instruments		
- foreign exchange forward contracts	-	33,120
Derivative instruments under hedge accounting		
(cash flow hedges-interest rate swaps)	-	8,901
Financial assets at amortised cost	6,204,818	6,636,814
Equity instruments at FVTOCI	163,893	297,048
Financial assets at FVTPL	1,832,258	1,491,336
Financial liabilities		
At amortised cost	(1,604,618)	(2,344,879)
Derivative financial instruments		
- foreign exchange forward contracts	(17,227)	(562)

Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, equity instruments at FVTOCI, trade and other receivables, loan receivable, amounts due from associates, derivative financial instruments, bank balances and cash, trade and other payables, lease liabilities, bank borrowings, obligation arising from put options and deferred consideration payables. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (interest rate risk, foreign currency risk and other price risk), credit risk, liquidity risk and risks arising from the interest rate benchmark reform. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

36. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Market risk

Interest rate risk management

The Group is exposed to fair value interest rate risk in relation to lease liabilities (see note 27) and obligation arising from put options. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (see note 25) and variable-rate bank borrowings (see note 29). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates at HIBOR and LIBOR arising from the Group's HK$ and US$ denominated borrowings. The Group aims at keeping borrowings at fixed rates. In order to achieve this result, the Group entered into interest rate swaps to hedge against its exposures to changes in cash flow of the LIBOR and HIBOR bank borrowings. The critical terms of these interest rate swaps are similar to those of hedged borrowings. These interest rates swaps are designated as effective hedging instruments and hedge accounting is used (see note 32).

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs") with alternative nearly risk-free rates. Details of the impacts on the Group's risk management strategy arising from the interest rate benchmark reform and the progress towards implementation of alternative benchmark interest rates are set out under "interest rate benchmark reform" in this note.

Interest income of RMB146,475,000 was earned (2022: RMB105,515,000) from financial assets that are measured at amortised cost (including cash and cash equivalents) for the year ended 31 December 2023.

Interest expense of RMB46,251,000 was incurred (2022: RMB49,086,000) on financial liabilities not measured at fair value through profit or loss that are measured at amortised cost for the year ended 31 December 2023.

Sensitivity analysis

The directors of the Company consider that the interest rate risk in relation to bank balances is not significant as the fluctuation of the interest rates on bank balances is minimal and therefore, bank balances are not included in the sensitivity analysis.

The sensitivity analyses below have been determined based on the exposure to interest rates, including derivatives which are designated as effective hedging instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point (2022: 50 basis point) increase or decrease in variable-rate bank borrowings and interest rate swaps designed to hedge cash flow interest rate risk are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

36. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Market risk - continued

Sensitivity analysis - continued

If interest rates had been 50 basis points (2022: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2023 would decrease/increase by RMB2,549,000 (2022: RMB4,175,000). This is mainly attributable to the Group's exposure to interest rates on certain of its HIBOR bank borrowings.

Foreign currency risk management

Some subsidiaries of the Company have foreign currency purchases, which expose the Group to foreign currency risk. Approximately 56% (2022: 53%) of the Group's purchases are denominated in currencies other than the functional currencies of the group entities making the purchase. All sales of the Group are denominated in functional currency of the group entities making the sale. Management conducts periodic review of exposure and settlements of various currencies and will consider hedging significant foreign currency exposures should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets (representing financial assets at FVTPL, trade and other receivables, loan receivable and bank balances and cash) and monetary liabilities (representing trade and other payables, deferred consideration payables and bank borrowings) at the reporting date are as follows:

	Assets		Liabilities	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
US$	2,368,814	1,141,327	3,543	503,832
EUR	531,007	40,827	17,530	7,268
HK$	28,815	63,196	683,412	1,281,886

36. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Market risk - continued

Foreign currency risk management - continued

The Group is mainly exposed to currency risk of the US$, EUR and HK$. The following table details the Group's sensitivity to a 5% (2022: 5%) increase and decrease in the functional currencies of the relevant group entities against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2022: 5%) change in foreign currency rates. The sensitivity analysis includes financial assets at FVTPL, derivative financial instruments, loan receivable, bank balances, trade and other payables, bank borrowings and deferred consideration payables of which the foreign currency exposures are not hedged with hedging instruments. A positive/negative number below indicates an increase/decrease in post-tax profit for the year where the functional currencies of the relevant group entities strengthen 5% (2022: 5%) against the relevant foreign currencies. If there is a 5% (2022: 5%) weakening in functional currencies of the relevant group entities against the relevant foreign currencies, there would be an equal and opposite impact on the profit for the year:

	2023 RMB'000	2022 RMB'000
RMB (as functional currency of the relevant group entities) against US$	(88,698)	(23,906)
RMB (as functional currency of the relevant group entities) against EUR	(19,255)	(1,258)
RMB (as functional currency of the relevant group entities) against HK$	24,547	45,701

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure at the end of the reporting period does not reflect the exposure during both years.

36. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Market risk - continued

Other price risk management

The Group is exposed to equity price risk through its investments in equity securities. The Group's equity price risk is mainly concentrated on equity instruments operating in pharmaceutical industry sector quoted in the LSE, ENV and NYSE.

Sensitivity analysis

The following details the Group's sensitivity to a 10% (2022: 10%) increase and decrease in the quoted market price of the equity securities. 10% (2022: 10%) is the sensitivity rate used when reporting other price risk internally to key management personnel and represents management's assessment of the reasonably possible change in the quoted market price of the equity securities measured at FVTOCI. If there is a 10% (2022:10%) higher/lower in the quoted market price of the equity securities, the other comprehensive income would be increased/decreased by RMB3,855,000 (2022: RMB6,400,000).

The management considers that the other price risk in respect of financial asset at FVTPL is minimal due to the insignificant balance as at 31 December 2023 and 2022.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade and other receivables, bank balances, amounts due from associates and loan receivables. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed once a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. In addition, the Group performs impairment assessment under ECL model on trade balances individually or based on provision matrix based on share credit risk characteristics by reference to repayment history for recurring customers and current past due exposure for the new customers.

Except for the derivative financial instruments, financial assets at FVTPL and equity instruments at FVTOCI, the Group performed impairment assessment for financial assets and other items under ECL model.

36. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Credit risk and impairment assessment - continued

Trade receivables arising from contracts with customers

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed every year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. The Group only accepts bills issued or guaranteed by reputable PRC banks, if trade receivables are settled by bills and therefore the management of the Group considers the credit risk arising from the endorsed or discounted bills is insignificant.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which almost accounted for 100% (2022: 100%) of the total trade receivables as at 31 December 2023. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals.

In addition, the Group performs impairment assessment under ECL model on trade balances individually or based on provision matrix. Except for credit-impaired trade receivables, the remaining trade receivables are grouped under a provision matrix based on shared credit risk characteristics by reference to repayment histories for recurring customers and current past due exposure for new customers and forward-looking information. Impairment of RMB82,000 (2022: RMB45,000) is recognised for the year ended 31 December 2023. Details of the quantitative disclosures are set out below in this note.

Bank balances

Credit risk on bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies. The Group assessed 12m ECL for bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on this, the 12m ECL on bank balances is considered to be insignificant.

Amounts due from associates

The Group regularly monitors the business performance of the associate. The Group's credit risk in this balance is mitigated through the value of the assets held by this entity and the power to participate in the financial and operating policy decision of this entity. The Group assessed the loss allowance for trade related balance with the associate on lifetime ECL basis and non-trade related balance with the associate on 12m ECL basis. The Group performs impairment assessment under ECL model on this trade balance individually and the directors of the Company believe that there are no significant increases in credit risk at the reporting date of these amounts and the trade receivables due from the associates have been subsequently settled. For the years ended 31 December 2023 and 2022, the Group assessed the ECL for amounts due from associates to be insignificant and thus no loss allowance was recognised.

36. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Credit risk and impairment assessment - continued

Other receivables and deposits

For other receivables and deposits, the directors of the Company make periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportable and forward-looking information available without undue costs or effort. The directors of the Company believe that there is no significant increase in credit risk at the reporting date of these amounts since initial recognition. During the year ended 31 December 2023, impairment loss of RMB6,713,000 (2022: nil) was recognised.

Loan receivable

The Group has a policy for assessing the impairment on loans receivables on individual basis. These debtors include a supplier of the Group and an entity in which the Group has invested in its equity interest and accounted for as equity instrument at fair value through other comprehensive income. The ECL rates are estimated based on the credit quality classification and forward-looking information, including but not limited to the financial status of each borrower. During the year ended 31 December 2023, impairment loss of RMB35,414,000 (2022: nil) was recognised.

The Group's internal credit risk scoring assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Normal risk	The counterparty has either a low risk of default and does not have any past-due amounts or frequently settles after due dates but usually settle in full	Lifetime ECL - not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL - not credit-impaired	Lifetime ECL - not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

36. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Credit risk and impairment assessment - continued

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	Internal credit rating	12m or lifetime ECL	2023 Gross carrying amount		2022 Gross carrying amount	
				RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at amortised cost							
Trade receivables	22	Note 1	Lifetime ECL - not credit-impairment Provision matrix	1,150,397		1,445,612	
		Loss	Credit-impaired	6,373	1,156,770	6,066	1,451,678
Bills receivables (Note 2)	22	Low risk	12m ECL	180,960		269,579	
Amounts due from associates (Notes 2 and 3)	24	Low risk	12m ECL	30,000		30,000	
			Lifetime ECL - Not credit-impaired	408,167	438,167	328,072	358,072
Bank balances (Note 2)	25	Low risk	12m ECL	4,311,058		4,376,376	
Other receivables and deposits (Note 2)	22	Low risk	12m ECL	98,663		120,584	
Loan receivable (Note 2)		Low risk	12m ECL	35,945		70,168	
		Loss	Credit-impaired	35,414	71,359	-	70,168

Notes:

(1) For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for credit-impaired balances, the Group determines the expected credit losses on these items by using a provision matrix, grouped by internal credit rating.

Provision matrix - internal credit rating

As part of the Group's credit risk management, the Group applies internal credit rating for its customers. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix as at 31 December 2023 and 2022 within lifetime ECL (not credit-impaired). Debtors with credit-impaired with gross carrying amount of RMB6,373,000 as at 31 December 2023 (2022: RMB6,066,000) were assessed individually.

36. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Credit risk and impairment assessment - continued

Notes:- continued

(1) - continued

Gross carrying amount

Internal credit rating	2023 Average loss rate	2023 Trade receivables RMB'000	2022 Average loss rate	2022 Trade receivables RMB'000
Normal risk	0.3%	1,135,568	0.2%	1,391,932
Doubtful	3.3%	14,829	2.7%	53,680
		1,150,397		1,445,612

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended 31 December 2023, the Group provided RMB82,000 (2022: RMB45,000) impairment allowance for trade receivables based on provision matrix. Impairment allowance of RMB10,514,000 (2022: RMB65,000) were made on credit-impaired debtors.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired)	**Lifetime ECL (credit-impaired)**	**Total**
	RMB'000	RMB'000	RMB'000
As at 1 January 2022	3,532	6,001	9,533
Impairment losses recognised	45	65	110
As at 31 December 2022	3,577	6,066	9,643
Impairment losses recognised	82	10,514	10,596
Write-offs	-	(10,207)	(10,207)
As at 31 December 2023	3,659	6,373	10,032

36. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Credit risk and impairment assessment - continued

Notes: - continued

(1) - continued

Gross carrying amount - continued

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over three years past due, whichever occurs earlier. The Group has taken legal action against the debtors to recover the amount due.

(2) The Group assessed the loss allowance for bills receivables, other receivables, bank balances, amounts due from associates and loan receivable on 12m ECL basis. In determining the ECL of the bank balances, the Group has taken into account the counterparties are reputable banks with high credit ratings assigned by international credit agencies and forward-looking information as appropriate. The Group assessed 12m ECL for bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies and the management considers that the expected credit loss on the bank balances is immaterial. In determining the ECL other than the bank balances, the Group has taken into account the historical default experience and forward-looking information as appropriate, including changes in growth rate of gross domestic product of the PRC. There had been no significant increase in credit risk since initial recognition. The Group has considered the consistently low historical default rate in connection with payments and concluded that the expected credit loss on these balances is immaterial.

(3) The Group assessed the loss allowance for amounts due from associates with trade nature on lifetime ECL basis. In determining the ECL, the Group has taken into account the value of the assets held by this entity and the power to participate in the financial and operating policy decision of this entity. There had been no significant increase in credit risk since initial recognition. The Group has considered the consistently low historical default rate in connection with payments and concluded that the expected credit loss on these balances is immaterial.

The Group rebuts the presumption of default under ECL for trade receivables over 90 days past due based on the strong financial position with good repayment records of those customers and continuous business relationship with the Group.

36. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2023, the Group has available unutilised banking facilities of approximately RMB2,550,000 (2022: RMB2,027,858,000) respectively. Details of which are set out in note 29.

The following table details the Group's remaining contractual maturity for its financial liabilities and derivative instruments. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from current interest rate at the end of the reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments, The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual settlement dates as the management of the Group considers that the settlement dates are essential for an understanding of the timing of the cash flows of derivatives.

	Weighted average interest rate	Repayable on demand or less than 1 year	1 to 5 years	Total undiscounted cash flows	Carrying amount at 31 December 2023
	%	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2023					
Non-derivative financial liabilities					
Trade and other payables	-	333,968	-	333,968	333,968
Deferred consideration payables	10.00	1,000	-	1,000	1,000
Variable-rate bank borrowings	3.80	705,477	-	705,477	679,650
Fixed-rate bank borrowings	2.65	605,635	-	605,635	590,000
Lease liabilities	4.75	16,736	17,676	34,412	32,087
		1,662,816	17,676	1,680,492	1,636,705
Derivative financial liabilities					
Foreign exchange forward contracts		17,227	-	17,227	17,227

36. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Liquidity risk - continued

	Weighted average interest rate	Repayable on demand or less than 1 year	1 to 5 years	Total undiscounted cash flows	Carrying amount at 31 December 2022
	%	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2022					
Non-derivative financial liabilities					
Trade and other payables	-	395,860	-	395,860	395,860
Deferred consideration payables	10.00	1,000	1,000	2,000	1,909
Variable-rate bank borrowings	2.60	1,806,270	-	1,806,270	1,783,337
Obligation arising from put options	8.00	-	175,133	175,133	163,773
Lease liabilities	4.75	15,514	15,893	31,407	29,295
		2,218,644	192,026	2,410,670	2,374,174
Derivative financial liabilities					
Foreign exchange forward contracts		562	-	562	562

Interest rate benchmark reform

As listed in note 29, one of the Group's HIBOR bank loans will or may be subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators.

HIBOR

While the Hong Kong Dollar Overnight Index Average ("HONIA") has been identified as an alternative to HIBOR, there is no plan to discontinue HIBOR. The multi-rate approach has been adopted in Hong Kong, whereby HIBOR and HONIA will co-exist. The Group's bank loans linked to HIBOR will continue till maturity and hence, not subject to transition.

(i) Risks arising from the interest rate benchmark reform

The following are the key risks for the Group arising from the transition:

Interest rate related risks

There are fundamental differences between IBORs and the various alternative benchmark rates. IBORs are forward looking term rates published for a period (e.g., 3 months) at the beginning of that period and include an inter-bank credit spread, whereas alternative benchmark rates are typically risk-free overnight rates published at the end of the overnight period with no embedded credit spread. These differences will result in additional uncertainty regarding floating rate interest payments.

36. FINANCIAL INSTRUMENTS - continued

Interest rate benchmark reform - continued

(i) Risks arising from the interest rate benchmark reform - continued

Liquidity risk

The additional uncertainty on various alternative rates which are typically published on overnight basis will require additional liquidity management. The Group's liquidity risk management policy has been updated to ensure sufficient liquid resources to accommodate unexpected increases in overnight rates.

Litigation risk

If no agreement is reached to implement the interest rate benchmark reform on contracts which have not been transitioned to the relevant alternative benchmark rates (e.g. arising from differing interpretation of existing fallback terms), there is a risk of prolonged disputes with counterparties which could give rise to additional legal and other costs. The Group is working closely with all counterparties to avoid this from occurring.

Interest rate basis risk

Interest rate basis risk may arise if a non-derivative instrument and the derivative instrument held to manage the interest risk on the non-derivative instrument transition to alternative benchmark rates at different times. This risk may also arise where back-to-back derivatives transition at different times. The Group will monitor this risk against its risk management policy which has been updated to allow for temporary mismatches of up to 12 months and transact additional basis interest rate swaps if required.

(ii) Progress towards implementation of alternative benchmark interest rates

As part of the Group's risk management for transition, new contracts entered into by the Group are linked to the relevant alternative benchmark rates or interest rates which are not subject to reform to the extent feasible. Otherwise, the Group ensured the relevant contracts include detailed fallback clauses clearly referencing the alternative benchmark rate and the specific triggering event on which the clause is activated.

During the year, for a floating rate loan that is linked to HIBOR, the Group had confirmed with the relevant counterparty HIBOR will continue to maturity.

The following table shows the total amounts of outstanding contracts and the progress in completing the transition to alternative benchmark rates as at 31 December 2023. The amounts of liabilities are shown at their carrying amounts and derivatives are shown at their notional amounts.

36. FINANCIAL INSTRUMENTS - continued

Interest rate benchmark reform - continued

(ii) Progress towards implementation of alternative benchmark interest rates - continued

Financial instruments prior to transition	Maturing in	Carrying amounts/ notional amounts	Hedge accounting	Transition progress for financial instruments
		RMB$'000		
Bank loans linked to HIBOR	13 September 2024	679,650	Designated in cash flow hedge	HIBOR will continue till maturity

Fair value measurements of financial instruments

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used) as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities at measurement date;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets/liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs
	31/12/2023	31/12/2022			
1) Interest rate swaps classified as derivative financial instruments	Nil	Assets - RMB8,901,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.	Nil

36. FINANCIAL INSTRUMENTS - continued

Fair value measurements of financial instruments - continued

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis - continued

Financial assets/liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs
	31/12/2023	31/12/2022			
2) Foreign exchange forward contracts classified as derivative financial instruments	Liabilities - RMB17,227,000	Assets -RMB33,120,000 Liabilities - RMB562,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rate and contracted exchange rate, discounted at a rate that reflects the credit risk of various counterparties.	Nil
3) Equity instruments at FVTOCI - listed equity securities	Listed equity securities on the LSE, ENV, NYSE and NASDAQ- RMB38,549,000	Listed equity securities on the LSE, ENV and NYSE- RMB64,001,000	Level 1	Quoted bid prices in an active market	Nil
4) Equity instruments at FVTOCI - unlisted equity securities	Unlisted equity investments - RMB125,344,000	Unlisted equity investments - RMB233,047,000	Level 3	Market approach by applying market multiples such as the ratio of market capital to net book value from comparable companies	The ratio of market capital to net book value from comparable companies
5) Financial asset at FVTPL - listed equity securities	Listed equity securities on the HKEX - RMB2,602,000	Nil	Level 1	Quoted bid prices in an active market.	Nil
6) Financial asset at FVTPL - capital funds	Assets - RMB843,190,000	Assets - RMB734,102,000	Level 3	Direct comparison – reference to market evidence of recent transaction prices of the underlying investments	Recent transaction prices of underlying investments
7) Financial asset at FVTPL - unlisted equity securities	Assets - RMB510,536,000	Assets - RMB445,935,000	Level 2	Recent Transaction method, quoted bid prices in an inactive market	Nil
8) Financial assets at FVTPL - unlisted equity securities	Assets - RMB475,930,000	Assets - RMB311,299,000	Level 3	Market approach by applying market multiples such as the ratio of market capital to net book value from comparable companies	The ratio of market capital to net book value from comparable companies

36. FINANCIAL INSTRUMENTS - continued

Fair value measurements of financial instruments - continued

(ii) Reconciliation of Level 3 fair value measurements

	Equity instruments at FVTOCI	Financial assets at FVTPL	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2022	44,638	639,132	683,770
Purchases	-	332,077	332,077
Disposal	(2,841)	-	(2,841)
Transfers into level 2	-	(115,725)	(115,725)
Transfers into level 3 from level 2	191,076	117,387	308,463
Total gains			
- in profit	-	72,530	72,530
- in other comprehensive income	174	-	174
As at 31 December 2022	233,047	1,045,401	1,278,448
Purchases	-	145,505	145,505
Disposal	-	(20,343)	(20,343)
Transfers into level 3 from level 2	-	131,879	131,879
Total gains			
- in profit	-	16,678	16,678
- in other comprehensive income	(107,703)	-	(107,703)
As at 31 December 2023	125,344	1,319,120	1,444,464

(iii) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Bank borrowings RMB'000 (note 29)	Deferred consideration payables RMB'000	Dividend payables RMB'000 (note 13)	Lease liabilities RMB'000 (note 27)	Obligation rising from put options RMB'000	Total RMB'000
At 1 January 2022	1,677,573	2,736	-	34,732	152,413	1,867,454
Financing cash flows	(88,435)	(1,000)	(1,276,239)	(18,948)	-	(1,384,622)
Acquisition of a subsidiary	3,000	-	-	-	-	3,000
Dividends declared	-	-	1,276,239	-	-	1,276,239
Finance costs	35,455	173	-	2,098	11,360	49,086
Net foreign exchange loss	155,744	-	-	-	-	155,744
Commencement of new leases	-	-	-	11,413	-	11,413
At 31 December 2022	1,783,337	1,909	-	29,295	163,773	1,978,314
Financing cash flows	(553,190)	(1,000)	(1,360,363)	(20,285)	(116,300)	(2,051,138)
Dividends declared	-	-	1,360,363	-	-	1,360,363
Finance costs	42,997	91	-	2,216	947	46,251
Net foreign exchange gain	(3,494)	-	-	-	-	(3,494)
Commencement of new leases	-	-	-	20,861	-	20,861
Repurchase shares from non-controlling interest	-	-	-	-	(48,420)	(48,420)
At 31 December 2023	1,269,650	1,000	-	32,087	-	1,302,737

38. CAPITAL COMMITMENTS

	2023 RMB'000	2022 RMB'000
Capital expenditure in respect of the acquisition of below items contracted for but not provided in the consolidated financial statements		
- property, plant and equipment	-	576
- financial assets at FVTPL	669,080	773,150
- interests in associate	37,466	53,883

39. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related financial parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below, in addition to the transactions and balances disclosed elsewhere in the consolidated financial statements.

39. RELATED PARTY TRANSACTIONS - continued

(a) The Group entered into the following transactions with related parties during the year:

Name of related company	Relationship	Nature of transactions	2023 RMB'000	2022 RMB'000
Tibet Pharmaceutical	Associate	Promotion income	1,618,832	1,316,329
Tibet Pharmaceutical	Associate	Purchase of goods	36	611
ETC	Associate	Purchase of goods	8,131	-
ETC	Associate	Promotion income	13,183	-
Shenzhen Mediportal Health Medical Internet Limited	Related party	Service fee	5,173	-
A&B (HK) Company Limited	Related party	Royalty expenses	352	-

(b) Pursuant to a transfer agreement dated 16 February 2004 (as supplemented by a supplemental agreement dated 2 November 2004) and a further agreement dated 16 December 2007 between Shenzhen Kangzhe and Kangzhe Pharmaceutical Research and Development (Shenzhen) Limited ("Kangzhe R&D")", the Group acquired the production, marketing and sales rights and the related patents of CMS024 from Kangzhe R&D, of which 83.23% equity interest is indirectly held by a controlling shareholder as at 31 December 2022 and the date of this report. Pursuant to the terms of the agreement, as consideration for the transfer of CMS024, Shenzhen Kangzhe paid US$3.1 million to Kangzhe R&D as compensation for the actual research and development costs incurred by Kangzhe R&D, and further agreed to pay a royalty fee of 13% of the quarterly sales revenue generated by the Group after CMS024 is successfully launched. The Group has appointed Kangzhe R&D to carry out further research and development related to CMS024, and Kangzhe R&D has undertaken to complete all the clinical trials and prepare the documents necessary for and assist the Group in the application for a new-drug permit for CMS024. The Group had terminated the development of CMS024. The Group has not paid any fee to Kangzhe R&D during the years ended 31 December 2023 and 2022.

(c) On 8 May 2015, A&B entered into agreements with Faron Pharmaceuticals, Ltd ("Faron"), to acquire 15.72% of the shareholding of Faron, assets related to a drug, Traumakine in China (including Hong Kong SAR, Macau SAR and Taiwan) (the "Territory"), intellectual properties related to Traumakine from the Territory and the right to exchange Traumakine information with Faron.

On 19 May 2015, the Group entered into agreements with A&B and/or Faron respectively, to acquire the assets related to Traumakine in the Territory (the "Acquisition of Assets"). The consideration for above transfer will be further negotiated and agreed between A&B and the Group at a later stage prior to the launch of Traumakine in the Territory, the amount would be calculated with reference to the net sales of Traumakine in the Territory.

The Acquisition of Assets was not yet completed up to the date of this report and the Group has not paid any consideration to A&B in respect of this acquisition during the years ended 31 December 2023 and 2022.

39. RELATED PARTY TRANSACTIONS - continued

(d) On 31 July 2018, the Group entered into an asset transfer and license agreement with Acticor. According to the terms of such agreement, the Group acquired all assets (the "Assets of ACT017") related to Acticor's product ACT017 and any follow-up products developed on the basis of the same compound of ACT017 (the "Product of ACT017") in China (including Hong Kong SAR, Macau SAR and Taiwan), Singapore, Philippines, Republic of Korea, Malaysia and other designated Asian countries (excluding Japan, India and Western Asia countries) (the "Asia Pacific Territory") in consideration of an upfront payment of EUR50,000 (equivalent to RMB384,000) which has been paid as at 31 December 2018. Such amount has been included in deposits paid for acquisition of intangible assets (see note 23) as at 31 December 2023 and 2022. The Assets of ACT017 include without limitation all the know-how, intellectual property or the right of application for the intellectual property, necessary regulatory approvals, documents, dossiers, data or information exclusive for Asia Pacific Territory and other rights as necessarily required to develop, register, manufacture and commercialise the Product of ACT017 in the Asia Pacific Territory. In addition, the Group also acquired all the necessary licenses related to the transaction under this agreement in consideration of (1) a royalty at a fixed rate on the basis of the net sales of Product of ACT017 generated in Asia Pacific Territory and (2) lump sum payments with varied fixed amount, each payable upon the first achievement of respective net sales stipulated in the agreement.

(e) On 14 August 2018, the Group entered into an asset transfer and license agreement with Blueberry Therapeutics Limited ("Blueberry"), which is one of Group's unlisted equity investments under note 20(b)(iii). According to the terms of such agreement, the Group has acquired all related assets of Blueberry's leading product BB2603 (for the treatment of onychomycosis and tinea pedis) in China (including Hong Kong SAR Macau SAR and Taiwan), Republic of Korea and Mongolia (the "Asia Territory") and the Group further acquired access to all related assets of other pipeline products being or to be developed subsequently by Blueberry utilizing its unique nano formulation delivery system in dermatology and other fields (such as products used for treating atopic dermatitis and acne, etc., together with the product BB2603 as the "Product of BB2603") in the Asia Territory in consideration of (1) an upfront payment of USD600,000 (equivalent to RMB4,090,000), (2) fixed lump sum payments upon the achievement of the pre-determined milestones stipulated in the agreement and (3) a royalty at a fixed rate on the basis of the net sales of Product of BB2603 in Asia Territory. The aforementioned assets include, among others, all the national patents covering the development, commercialization and formulation of the Product of BB2603, national trademarks and necessary regulatory approvals in or for the Asia Territory.

As the milestone as well as the commercialisation of Product of BB2603 has not yet been achieved as at 31 December 2023 and 2022, the Group has only paid the upfront payment of USD600,000 (equivalent to RMB4,090,000) as the consideration for Product of BB2603 during year ended 31 December 2018. Such amount has been included in deposits paid for acquisition of intangible assets (see note 23) as at 31 December 2023 and 2022. During the year ended 31 December 2023, the amount of RMB4,090,000 was fully impairment.

39. RELATED PARTY TRANSACTIONS - continued

(f) On 20 August 2018, the Group entered into a framework asset transfer agreement with A&B relating to the portable neurostimulation devices (the "Product of PoNS") developed by or for Helius Medical Technologies group ("Helius"), which is one of Group's unlisted equity investments under note 20(b)(iii). According to the terms of such agreement, the Group has agreed to acquire from A&B all assets related to the Product of PoNS (the "Assets of PoNS") in the Territory (the "Transaction of PoNS"). The Assets were originally purchased by A&B from Helius, in which A&B has equity interest. Both the Group and A&B have not agreed on the definitive terms and conditions of the Transaction, including the consideration for the transfer of the Assets of PoNS under the agreement. The Group and A&B will further negotiate and agree on the terms of the Transaction at a later stage prior to the launch of the Product of PoNS in the Territory. As at 31 December 2023, the Group and A&B has not yet negotiated and agreed on the terms of the Transaction of PoNS and the Group has not paid any consideration to A&B in respect of the Transaction of PoNS during the years ended 31 December 2023 and 2022.

(g) On 20 August 2018, the Group entered into a framework asset transfer agreement with A&B relating to the pharmaceutical preparation, formulation, dosage form, or delivery vehicle, containing or comprising NRL-1 etc. and/or line extensions developed by or for Neurelis, Inc. (“Neurelis”) (collectively, the “Product of NRL-1”). Neurelis is one of Group’s unlisted equity investments under note 20(b)(iii). According to terms of such agreement, the Group has agreed to acquire from A&B all assets related to the Product of NRL-1 (the “Assets of NRL-1”) in the Territory (the “Transaction of NRL-1”). A&B obtained the Assets of NRL-1 from its related entity which in turn obtained the Assets of NRL-1 from Neurelis. As at 31 December 2023, the Group and A&B had negotiated and agreed on the terms of the Transaction of NRL-1, the Group has agreed to pay A&B a royalty payment of up to US$0.6 per Unit of NRL-1 imported into or sold in the Territories, and the Group has agreed to pay A&B a royalty payment of 9.0% on the net sales of NRL-1 sold by the Group in the Territories. The Group has accrual amount of RMB352,000 of royalty expense during the year ended 31 December 2023.

(h) On 19 September 2018, the Group entered into license and collaboration agreement with VAXIMM AG ("VAXIMM"), which is one of Group's unlisted equity investments under note 20(b)(iii) and was sold during the year ended 31 December 2022. According to the terms of such agreement, the Group gained exclusive, perpetual, transferable, sub-licensable rights to develop and commercialize the current pharmaceutical products portfolio and line extension of or under the control of VAXIMM (the current leading product is VXM01) as well as designated pharmaceutical products and line extension that will be solely owned and under the control of VAXIMM (the "Product of VXM01") in Asia Pacific Territory in consideration of (1) fixed lump sum payments upon the achievement of the pre-determined milestones stipulated in the agreement, (2) lump sum payments with varied fixed amount, each payable upon the first achievement of respective net sales stipulated in the agreement and (3) a royalty at a fixed rate on the basis of the net sales of Product of VXM01 in Asia Pacific Territory. As Product of VXM01 has not yet been commercialised, the Group has not paid any consideration in relation to Product of VXM01 during years ended 31 December 2023 and 2022.

39. RELATED PARTY TRANSACTIONS - continued

(i) On 29 January 2019, the Group entered into a license, collaboration and distribution agreement with Biodexa. According to the terms of such agreement, the Group will gain exclusive, perpetual, transferable, sub-licensable rights to develop and commercialise Biodexa's current products mainly including MTD201, MTX110 (subject to receipt of consent from Secura Bio) and any new pharmaceutical products or line extension, the intellectual property rights and other rights of which Biodexa controls and which Biodexa or its affiliates have given a codename within three years from 29 January 2019 (the "Products") in China (including Hong Kong Special Administrative Region, Macao Special Administrative Region and Taiwan) and certain Southeast Asian countries selected by the Group (including Singapore, Philippines, Malaysia and other countries, subject to confirmation by the Group once a regulatory approval is granted by the US Food and Drug Administration, the European Medicines Agency or by one of the regulatory authorities in one of the UK, France, Germany or Switzerland). As Products have not yet been commercialised, the Group has not paid any consideration in relation to Products during year ended 31 December 2023 and 2022.

(j) During the year ended 31 December 2017, the Group entered into an agreement with Destiny. According to the terms of such agreement, the Group will gain exclusive sub-licensable rights to develop and commercialise Destiny's current products mainly including XF-73 (the "Products of XF-73") in Asia Pacific Territory. As Products of XF-73 have not yet been commercialised, the Group has not paid any consideration in relation to Products during year ended 31 December 2023 and 2022.

(k) The key management personnel includes solely the directors of the Company and the compensation paid to them as disclosed in note 9.

40. RETIREMENT BENEFITS SCHEMES

The employees of the Group's subsidiary in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

The employees employed in Hong Kong are required to join the Mandatory Provident Fund Scheme (the "MPF Scheme"). Contributions to the MPF Scheme are made in accordance with the statutory limits prescribed by the Mandatory Provident Fund Ordinance of Hong Kong.

The employees employed in Macau are required to join the Social Security Fund (the "FSS"). Contributions to FSS are made in accordance with the statutory limits prescribed by the Social Security System of Macau.

The employees employed in Dubai are required to be entitled to gratuity based on the years of services under the labour law of United Arab Emirates Ministry of Human Resources and Emiratisation.

During the year, the total expense recognised in the profit or loss for the above schemes amounted to RMB280,021,000 (2022: RMB217,855,000).

41. EMPLOYEE BENEFIT SCHEME

The 2009 Scheme was adopted by the Board on 31 July 2009 ("Adoption Date"). Unless terminated earlier by the Board, the 2009 Scheme shall be valid and effective for a term of 20 years commencing on the Adoption Date. Pursuant to the rules of the 2009 Scheme, the Company set up a trust through a trustee (the "Trustee"), Fully Profit Management (PTC) Limited, for the purpose of administration the 2009 Scheme. A summary of some of the principal terms of the 2009 Scheme is set out in below.

(a) The purpose of the 2009 Scheme is to recognise the contributions by certain employees who have been actively involved in the business development of the Group and to establish and maintain a superannuation fund for the purpose of providing retiring allowances for certain employees (including without limitation employees who are also directors) of the Group, and to give incentive in order to retain them for the continual operation and development of the Group.

(b) Under the 2009 Scheme, the Board of Directors (the "Board") may, from time to time, at its absolute discretion and subject to such terms and conditions as it may think appropriate select an employee (the "Member") who completed 10 years' services in the Group (subject to consent of the Board if the employee completed 5 years' services in the Group) for participation in the 2009 Scheme for 10 years after retirement (the "Payment Year") (subject to adjustment set out in (d) below).

(c) The Company will, on a yearly basis, contribute the sum equal to an amount not less than 0.5%, but no more than 3% of its after tax profits shown on the audited consolidated financial statements of the Group, or issue such number of shares of the Company to the Trustee in consideration of payment of such amount as the Board may determine with reference to the aforesaid contribution as against the then market value of the shares of the Company (the "Yearly Contributions"), subject to the Board's approval.

(d) The amount payable to the Members depends on the value of the assets held by the Trustee (the "Fund"). If the value of the Fund is less than the aggregate amount of contributions previously made by the Company, the amount payable to the Members and the Payment Year will be adjusted by a factor derived from the value of the Fund and the aggregate amount of contributions previously made by the Company. The only obligation of the Company is to make the Yearly Contributions to the Fund. As such, the 2009 Scheme is classified as defined contribution scheme.

On 22 December 2016, the Board has resolved to adopt two new employee incentive schemes, with details as follows:

(a) The Bonus Scheme

i. This scheme is for the purpose of providing discretionary cash bonuses to selected employees of the Group to recognise their contribution to the Group.
ii. This scheme is open to the employees employed by the Group, except for the directors of the Company.

41. EMPLOYEE BENEFIT SCHEME - continued

(b) The New KEB Scheme

i. i.The New KEB Scheme will replace the 2009 Scheme and shall comprise terms which are substantially similar to the 2009 Scheme, except for the ratio of contribution, which was determined by the audited consolidated financial performance.

ii. The subsisting rights of all participants under 2009 Scheme will be rolled over to the New KEB Scheme.

For the purposes of effecting the merger and facilitating the administration of the Bonus Scheme and the New KEB Scheme, the Company has resolved to set up a new trust comprising the Bonus Scheme and KEB Scheme (collectively referred to as the "Master Scheme"). Unless terminated earlier by the Board, the Master Scheme shall be valid and effective until the later of the termination of the Bonus Scheme or the New KEB Scheme. The term of each of the Bonus Scheme and the New KEB Scheme is 20 years subject to the terms of their respective scheme rules. TMF Trust (HK) Limited ("TMF"), a company incorporated in Hong Kong, is appointed as the initial trustee of the new trust (the "New Trustee").

A summary of some of the principal terms of the Bonus Scheme is set out in below:

(a) The Company will, on a yearly basis, contribute the sum equal to an amount of 0% to 15% on the net profit growth on the audited consolidated financial statements of the Group ("Annual Contribution"), subject to the approval from the Benefit Scheme Executive Committee, comprising executive directors of the Company. No contribution will be made by the Company if there is no growth on the net profit in the year.

(b) The amount payable to the members of the Bonus Scheme in a financial year depends on a variety of factors, including the value of the assets held by the New Trustee (the "New Fund"), the appreciation in the value of the assets held under the New Fund, the financial performance of the Group and the performances of individual employees during the year. The New Fund is independent from the Company and the change in value of the New Fund has no impact on the Group's financial performance and financial position. The only obligation of the Company is to make the Annual Contributions to the New Fund subject to the terms of the scheme rules of the Bonus Scheme. The Bonus Scheme is classified as a discretionary scheme of the Company. No employee benefit expenses were recognised by the Company and the Group for both years.

During the year ended 31 December 2023, the Company recognised an expense of RMB5,160,000 (2022: RMB5,760,000) on the Master Scheme based on the Group's financial performance, in which such amount was recognised as employee benefit expenses in the consolidated statement of profit or loss and other comprehensive income.

42. ACQUISITIONS OF SUBSIDIARIES

For the year ended 31 December 2022

(a) Acquisition of Shanghai Xuli Medical Devices Company Limited ("Xuli")

On 8 December 2021, the Group entered into an equity transfer agreement with independent third parties to acquire 100% equity interest in Xuli from independent third parties at a consideration of RMB43,374,000. Xuli focuses on the field of medical aesthetic products and aiming to provide Chinese beauty-loving people with global high-quality medical aesthetic products, equipment and services. The purpose of the acquisition is to acquire medical aesthetic products rights owned by Xuli for enriching the portfolio of the Group's medical aesthetic products. The acquisition was completed on 21 January 2022 and accounted for as acquisition of business using the acquisition method.

Assets acquired and liabilities recognised at the date of acquisition:

	RMB'000
Property, plant and equipment	26
Intangible assets	5,248
Inventories	12,764
Trade and other receivables	3,782
Bank balances and cash	1,371
Bank borrowings	(3,000)
Trade and other payables	(5,237)
Tax payable	(844)
Deferred tax liabilities	(1,312)
	12,798

The receivables acquired (which principally comprised trade receivables) with a fair value of RMB3,782,000 at the date of acquisition had gross contractual amounts of RMB3,782,000, being the best estimate of the contractual cash flows expected to be collected at acquisition date.

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	43,374
Less: fair value of identifiable net assets acquired	(12,798)
Goodwill arising on acquisition	30,576

42. ACQUISITIONS OF SUBSIDIARIES - continued

For the year ended 31 December 2022 - continued

(a) Acquisition of Shanghai Xuli Medical Devices Company Limited ("Xuli") - continued

Goodwill arose in the acquisition of Xuli was attributable to the synergistic effect of the promotion network generated from the combination. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of revenue growth, management team, sale and promotion channel and future market development of Xuli. These benefits did not meet the recognition criteria for identifiable intangible assets, therefore were recognised as goodwill.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash outflow arising on acquisition:

	RMB'000
Consideration paid in cash during the year ended 31 December 2022	28,374
Less: cash and cash equivalent balances acquired	(1,371)
	27,003

Impact of acquisition on the results of the Group:

Included in the profit for the year ended 31 December 2022 was loss of RMB13,312,000 attributable to the additional business generated by Xuli. Revenue for the year ended 31 December 2022 included RMB49,976,000 generated from Xuli.

Had the acquisition of Xuli been completed at 1 January 2022, the revenue of the Group for the year ended 31 December 2022 would have been RMB9,152,693,000, and the profit for the period would have been RMB3,274,374,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at 1 January 2022, nor is intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Xuli been acquired at the beginning of the current period, the directors have calculated depreciation and amortisation of plant and equipment and intangible assets acquired on the recognised amounts of property, plant and equipment and intangible assets at the date of acquisition.

42. ACQUISITIONS OF SUBSIDIARIES - continued

For the year ended 31 December 2022 - continued

(b) Acquisition of Heling Medical (Guangzhou) Company Limited ("Heling")

On 19 August 2022, the Group entered into an equity transfer agreement with independent third parties to acquire 60% equity interest in Heling from independent third parties at a consideration of RMB9,000,000. Heling focuses on the research, development and production of dermatology-grade skincare products. The acquisition consists with the Group's strategy to continuously expand into the medical aesthetic field. The acquisition was completed on 19 August 2022 and accounted for as acquisition of business using the acquisition method.

Consideration transferred:

	RMB'000
Cash	2,000
Capital injection	7,000
	9,000

Assets acquired and liabilities recognised at the date of acquisition:

	RMB'000
Intangible assets	1,597
Other receivables	7,000
Bank balances and cash	6
Trade and other payables	(268)
Deferred tax liabilities	(399)
	7,936

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	9,000
Add: non-controlling interest (40% in Heling)	3,174
Less: fair value of identifiable net assets acquired	(7,936)
Goodwill arising on acquisition	4,238

42. ACQUISITIONS OF SUBSIDIARIES - continued

For the year ended 31 December 2022 - continued

(b) Acquisition of Heling Medical (Guangzhou) Company Limited ("Heling") - continued

Goodwill arose in the acquisition of Heling was attributable to the synergistic effect of the promotion network generated from the combination. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of revenue growth, management team, sale and promotion channel and future market development of Heling. These benefits did not meet the recognition criteria for identifiable intangible assets, therefore were recognised as goodwill.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Non-controlling interests

The non-controlling interests in Heling recognised at the acquisition dates were measured by reference to the non-controlling interests' proportionate share of the recognised amount of the net assets and amounted to RMB3,174,000.

Net cash outflow arising on acquisition:

	RMB'000
Consideration paid in cash during the year ended 31 December 2022	2,000
Less: cash and cash equivalent balances acquired	(6)
	1,994

Impact of acquisition on the results of the Group:

Included in the loss for the year ended 31 December 2022 was RMB16,000 attributable to the additional business generated by Heling.

Had the acquisition of Heling been completed at 1 January 2022, the revenue of the Group for the year ended 31 December 2022 would have been RMB9,150,357,000, and the profit for the period would have been RMB3,275,933,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at 1 January 2022, nor is intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Heling been acquired at the beginning of the current period, the directors have calculated amortisation of intangible assets acquired on the recognised amounts of intangible assets at the date of acquisition.

43. DEEMED DISPOSAL OF A SUBSIDIARY

For the year ended 31 December 2023

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

Analysis of assets and liabilities over which control was given up:

	RMB'000
Property, plant and equipment (Note 15)	8,974
Right-of-use assets	9,906
Intangible assets (Note 18)	63,129
Goodwill (Note 19)	118,090
Deferred tax assets (Note 31)	1,199
Inventories	42,122
Trade and other receivables	49,257
Cash and cash equivalents	11,155
Trade and other payables	(43,373)
Tax payable	(357)
Deferred tax liabilities (Note 31)	(16,777)
	243,325

Gain on deemed disposal of a subsidiary:

	RMB'000
Net assets disposed of	(243,325)
Non-controlling interests	23,164
Fair value of equity interest retained in Xili Pharmaceutical at the date of deemed disposal (Note 17(b))	220,161
Gain on deemed disposal	-

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

As at 31 December 2023 and 2022, the details of the Company's principal subsidiaries are set as follows:

Name of subsidiaries	Place of incorporation/ establishment and operation	Issue and fully paid share capital/ registered capital		Equity interest held by the Group				Principal activities
		31 December 2023	31 December 2022	31 December 2023		31 December 2022		
				Directly	Indirectly	Directly	Indirectly	
CMS International	British Virgin Island	US$10,000	US$10,000	100%	-	100%	-	Investment holding
Kangzhe Hunan (wholly-owned domestic enterprise)	PRC	RMB36,750,000	RMB36,750,000	-	100%	-	100%	Production of medicines
Tibet Kangzhe Enterprise Management Co. Ltd. (wholly-owned domestic enterprise)	PRC	RMB10,000,000	RMB10,000,000	-	100%	-	100%	Investment holding
Shenzhen Kangzhe (wholly foreign-owned enterprise)	PRC	RMB350,000,000	RMB350,000,000	-	100%	-	100%	Marketing, promotion and sale of drugs
Sino Talent	Hong Kong	HK$1	HK$1	-	100%	-	100%	Investment holding
Sky United	Hong Kong	HK$10	HK$10	-	100%	-	100%	Trading of drugs
Kangzhe Pharmaceutical Investment Co., Ltd. (wholly-owned domestic enterprise)	PRC	RMB50,000,000	RMB50,000,000	-	100%	-	100%	Investment holding
Tianjin Kangzhe (wholly foreign-owned enterprise)	PRC	RMB500,000,000	RMB500,000,000	-	100%	-	100%	Marketing, promotion and sale of drugs
Xili Pharmaceutical (sino-foreign equity joint venture)	PRC	N/A (note17(b))	RMB11,360,000	-	N/A (note17(b))	-	52.01%	Production of medicines
Tibet Kangzhe Development (wholly-owned domestic enterprise)	PRC	RMB100,000,000	RMB100,000,000	-	100%	-	100%	Marketing, promotion and sale of drugs
CMS Bridging Limited	Hong Kong	HK$1,000,000,000	HK$1,000,000,000	-	100%	-	100%	Investment holding
CMS Medical Venture Investment Limited	British Virgin Island	US$50,000	US$50,000	-	100%	-	100%	Investment holding
CMS Medical Venture Investment (HK) Limited	Hong Kong	HK$2,268,542,500	HK$100	-	100%	-	100%	Investment holding
CMS International Development and Management Limited	Macau	MOP$113,340,100	MOP$113,340,100	-	100%	-	100%	Trading of drugs
CMS Pharma DMCC	Dubai	DH104,490,000	DH104,490,000	-	100%	-	100%	Trading of drugs
CMS Bridging DMCC	Dubai	DH261,220,000	DH261,220,000	-	100%	-	100%	Investment holding
CMS Aesthetics DMCC	Dubai	DH50,000	DH50,000	-	100%	-	96%	Trading of drugs
Luqa Ventures Co., Limited	Hong Kong	HK$8,847,825	HK$8,847,825	-	100%	-	96%	Trading of medical aesthetics products
Shanghai Carnation Medical Technology Co., Ltd (wholly foreign-owned enterprise)	PRC	RMB2,842,105	RMB2,842,105	-	64.81%	-	62.2%	Research and development of medical aesthetics devices
Shanghai Kangzhe Aesthetics Pharmaceutical Co., Ltd (wholly foreign-owned enterprise)	PRC	RMB10,000,000	RMB10,000,000	-	100%	-	96%	Marketing and promotion of drugs
Hainan Kangzhe Aesthetics Technology Co., Ltd (wholly foreign-owned enterprise)	PRC	RMB145,000,000	RMB145,000,000	-	100%	-	96%	Marketing, promotion and sale of drugs

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY - continued

Name of subsidiaries	Place of incorporation/ establishment and operation	Issue and fully paid share capital/ registered capital		Equity interest held by the Group				Principal activities
		31 December 2023	31 December 2022	31 December 2023		31 December 2022		
				Directly	Indirectly	Directly	Indirectly	
Shenzhen Kangzhe Zhiyuan Enterprise Management Co., Ltd (wholly foreign-owned enterprise)	PRC	RMB200,000,000	RMB200,000,000	-	100%	-	100%	Investment holding
Hainan Kangzhe Venture Capital Co. Ltd (wholly foreign-owned enterprise)	PRC	RMB787,050,000	RMB520,050,000	-	100%	-	100%	Investment holding
CMS Skinhealth Limited (formley known as CMS Aesthetics Limited)	Hong Kong	HK$1	HK$1	-	100%	-	96%	Trading of drugs
Luqa Business Development Limited	Hong Kong	HK$1	HK$1	-	100%	-	96%	Trading of drugs
Shanghai Xuli Medical Devices Company Limited (wholly-owned domestics enterprise)	PRC	RMB10,000,000	RMB10,000,000	-	100%	-	96%	Trading of medical aesthetics products
Heling Medical (Guangzhou) Company Limited (wholly-owned domestics enterprise)	PRC	RMB3,000,000	RMB3,000,000	-	60%	-	57.6%	Research and development of skincare products
Hainan Kangzhe Vision Technology Co., Ltd (wholly foreign-owned enterprise)	PRC	RMB 90,000,000	-	-	100%	-	-	Trading of drugs
CMS Visition International Management Limited	Macau	MOP22,500	-	-	100%	-	-	Trading of drugs
CMS Skinhealth International Business Limited	Macau	MOP22,500	-	-	100%	-	-	Trading of drugs

The above table lists the subsidiaries of the Company, in the opinion of the directors of the Company, which principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2023 RMB'000	2022 RMB'000
Non-current asset		
Interests in subsidiaries	4,950,359	4,289,164
Current assets		
Amount due from a subsidiary	-	2,000,000
Derivative financial instruments	-	21,794
Bank balances and cash	5,754	39,618
	5,754	2,061,412
Current liabilities		
Amount due to a subsidiary	2,958	2,958
Other payables and accruals	13,122	3,027
Bank borrowings	1,269,650	1,281,886
Derivative financial instruments	17,227	562
	1,302,957	1,288,433
Net current (liabilities) assets	(1,297,203)	772,979
Total assets less current liabilities	3,653,156	5,062,143
Capital and reserves		
Share capital (note 33)	83,991	83,991
Reserves	3,569,165	4,978,152
Total equity	3,653,156	5,062,143

Movement in reserves

	Share premium RMB'000	Capital reserve RMB'000	Accumulated profits RMB'000	Dividend reserve RMB'000	Total RMB'000
Balance at 1 January 2022	2,153,817	6,960	1,710,572	557,594	4,428,943
Repurchase of ordinary shares	(48,196)	-	-	-	(48,196)
Profit and total comprehensive income for the year	-	-	1,873,644	-	1,873,644
Dividends paid	-	-	(718,645)	(557,594)	(1,276,239)
Dividends proposed	-	-	(591,910)	591,910	-
Balance at 31 December 2022	2,105,621	6,960	2,273,661	591,910	4,978,152
Loss and total comprehensive expense for the year	-	-	(48,624)	-	(48,624)
Dividends paid	-	-	(768,453)	(591,910)	(1,360,363)
Dividends proposed	-	-	(191,991)	191,991	-
Balance at 31 December 2023	2,105,621	6,960	1,264,593	191,991	3,569,165

Deloitte. 德勤

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

Key Audit Matters - continued

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

TO THE SHAREHOLDERS OF
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Other Information

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

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

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

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

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

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

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

TO THE SHAREHOLDERS OF
CHINA MEDICAL SYSTEM HOLDINGS LIMITED
康哲藥業控股有限公司
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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Sy, Sunnie.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
17 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2024

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2024

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

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

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

LAM Kong
DIRECTOR

CHEN Yanling
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2024

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2024

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

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

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

1. GENERAL INFORMATION

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

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

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

2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

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

In the current year, the Group has applied the following amendments to IFRS Accounting Standards for the first time, which are mandatorily effective for the annual periods beginning on 1 January 2024 for the preparation of the consolidated financial statements:

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

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

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

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

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

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

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

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

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

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

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

IFRS 18 Presentation and Disclosure in Financial Statements

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

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

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

3.1 Basis of preparation of consolidated financial statements

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

3.2 Material accounting policy information

Basis of consolidation

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

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

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

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

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

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

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

3.2 Material accounting policy information - continued

Basis of consolidation - continued

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

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

Changes in the Group's interests in existing subsidiaries

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

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

Goodwill

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

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

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

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

3.2 Material accounting policy information - continued

Goodwill - continued

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

Interests in associates and a joint venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

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

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

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

3.2 Material accounting policy information - continued

Interests in associates and a joint venture - continued

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

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

Revenue from contracts with customers

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

Property, plant and equipment

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

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

3.2 Material accounting policy information - continued

Property, plant and equipment - continued

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

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

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

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

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

3.2 Material accounting policy information - continued

Intangible assets

Intangible assets acquired separately

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

Internally-generated intangible assets-research and development expenditure

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

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

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

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

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

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

3.2 Material accounting policy information - continued

Intangible assets - continued

Intangible assets acquired in a business combination

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

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

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

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

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

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

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

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

3.2 Material accounting policy information - continued

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

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

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

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

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

3.2 Material accounting policy information - continued

Cash and cash equivalents

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

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

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

Inventories

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

Financial instruments

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

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

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

3.2 Material accounting policy information - continued

Financial instruments - continued

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

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

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

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

3.2 Material accounting policy information - continued

Financial instruments - continued

Financial assets - continued

Classification and subsequent measurement of financial assets - continued

(i) Amortised cost and interest income

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

(ii) Equity instruments designated as at FVTOCI

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

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

(iii) Financial assets at FVTPL

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

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

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

3.2 Material accounting policy information - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets subject to impairment assessment under IFRS 9

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

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

The Group always recognises lifetime ECL for trade receivables.

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

(i) Significant increase in credit risk

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

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

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

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

3.2 Material accounting policy information - continued

Financial instruments - continued

Financial assets - continued

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

(i) Significant increase in credit risk - continued

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

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

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

(ii) Definition of default

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

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

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

3.2 Material accounting policy information - continued

Financial instruments - continued

Financial assets - continued

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

(iii) Credit-impaired financial assets

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

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

3.2 Material accounting policy information - continued

Financial instruments - continued

Financial assets - continued

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

(v) Measurement and recognition of ECL - continued

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

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

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

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

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

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

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

Foreign exchange gains and losses

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

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

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

3.2 Material accounting policy information - continued

Financial instruments - continued

Financial assets - continued

Foreign exchange gains and losses - continued

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

Derecognition of financial assets

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

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

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

Financial liabilities and equity instruments

Classification as debts or equity

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

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

3.2 Material accounting policy information - continued

Financial instruments - continued

Financial liabilities and equity instruments - continued

Equity instruments

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

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

Financial liabilities

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

Financial liabilities at FVTPL

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

A financial liability is held for trading if:

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

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

3.2 Material accounting policy information - continued

Financial instruments - continued

Financial liabilities and equity instruments - continued

Financial liabilities at FVTPL - continued

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

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

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

Financial liabilities at amortised cost

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

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

3.2 Material accounting policy information - continued

Financial instruments - continued

Financial liabilities and equity instruments - continued

Bank borrowings

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

Foreign exchange gains and losses

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

Derecognition of financial liabilities

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

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

3.2 Material accounting policy information - continued

Taxation

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

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

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

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

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

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

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

3.2 Material accounting policy information - continued

Taxation - continued

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

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

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

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

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

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

3.2 Material accounting policy information - continued

Foreign currencies

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

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

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

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

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

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

3.2 Material accounting policy information - continued

Employee benefits

Retirement benefit costs

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

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

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

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

Short-term employee benefits

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Estimated impairment of goodwill

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY - continued

Estimated impairment of intangible assets

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

Provision of ECL for trade receivables

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

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

Fair value measurement of financial instruments

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY - continued

Estimated impairment of deposits paid for acquisition of intangible assets

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

Estimated impairment of interest in an associate

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

5. REVENUE AND SEGMENT INFORMATION

(i) Disaggregation of revenue from contracts with customers

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

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

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

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

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

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

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

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

5. REVENUE AND SEGMENT INFORMATION - continued

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

Variable consideration

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

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

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

Principal versus agent

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

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

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

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

5. REVENUE AND SEGMENT INFORMATION - continued

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

Principal versus agent - continued

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

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

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

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

6. OTHER INCOME

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

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

7. OTHER GAINS AND LOSSES

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

8. FINANCE COSTS

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

9. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

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

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

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

Notes:

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

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

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

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

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

10. EMPLOYEES' EMOLUMENTS

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

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

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

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

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

11. INCOME TAX EXPENSE

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

Notes:

(a) The PRC Enterprise Income Tax

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

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

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

11. INCOME TAX EXPENSE - continued

Notes: - continued

(b) Hong Kong Profits Tax

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

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

(c) PRC Withholding Income Tax

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

(d) Overseas Income tax

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

(e) Macau Complementary Income Tax

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

(f) Dubai Tax

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

11. INCOME TAX EXPENSE - continued

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

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

12. PROFIT FOR THE YEAR

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

13. DIVIDENDS

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

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

14. EARNINGS PER SHARE

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

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

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

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

15. PROPERTY, PLANT AND EQUIPMENT

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

15. PROPERTY, PLANT AND EQUIPMENT - continued

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

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

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

16. RIGHT-OF-USE ASSETS

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

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

16. RIGHT-OF-USE ASSETS - continued

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

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

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

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

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

17. INTERESTS IN ASSOCIATES/A JOINT VENTURE

(a) Interests in associates

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

17. INTERESTS IN ASSOCIATES/A JOINT VENTURE - continued

(a) Interests in associates - continued

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

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

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

Notes:

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

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

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

17. INTERESTS IN ASSOCIATES/A JOINT VENTURE - continued

(a) Interests in associates - continued

Notes: - continued

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

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

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

Summarised financial information of associates

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

17. INTERESTS IN ASSOCIATES/A JOINT VENTURE - continued

(a) Interests in associates - continued

Summarised financial information of associates - continued

Tibet Pharmaceutical

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

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

17. INTERESTS IN ASSOCIATES/A JOINT VENTURE - continued

(a) Interests in associates - continued

Summarised financial information of associates - continued

Tibet Pharmaceutical - continued

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

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

ETC

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

17. INTERESTS IN ASSOCIATES/A JOINT VENTURE - continued

(a) Interests in associates - continued

Summarised financial information of associates - continued

ETC - continued

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

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

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

17. INTERESTS IN ASSOCIATES/A JOINT VENTURE - continued

(a) Interests in associates - continued

Summarised financial information of associates - continued

Aggregate information of associates that are nor individually material

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

(b) Interest in a joint venture

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

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

Name of joint venture	Place of establishment/ incorporation	Principal place of business	ownership interest /voting rights held by the Group		Principal activities
			2024	2023	
Hebei Xinglong Xili Pharmaceutical Co., Ltd. ("Xili Pharmaceutical") (Note)	PRC	PRC	52.01%	52.01%	Production of medicines and sale of drugs

Note: In February 2023, the Group entered into a shareholder agreement with the other shareholders of Xili Pharmaceutical, which was a subsidiary of the Group at the time, pursuant to which the Articles of Association of Xili Pharmaceutical was amended in which unanimous consent from the board of directors of Xili Pharmaceutical is required for all operating decisions. Accordingly, the directors of the Company concluded that the control over Xili Pharmaceutical was given up on that date. The investment on Xili Pharmaceutical was considered deemed disposed and was accounted for as an investment in a joint venture using the equity method afterward. Further details of the deemed disposal of Xili Pharmaceutical are set out in Note 41.

17. INTERESTS IN ASSOCIATES/A JOINT VENTURE - continued

(b) Interest in a joint venture - continued

Summarised financial information of a joint venture

Summarised financial information in respect of the Group's material joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRS Accounting Standards.

The joint venture is accounted for using the equity method in these consolidated financial statements.

Xili Pharmaceutical

	31.12.2024 RMB'000	31.12.2023 RMB'000
Current assets	100,646	109,874
Non-current assets	69,807	76,422
Current liabilities	(20,745)	(40,165)
Non-current liabilities	(13,622)	(15,343)

The above amounts of assets and liabilities include the following:

	31.12.2024 RMB'000	31.12.2023 RMB'000
Cash and cash equivalents	40,057	9,442

	31.12.2024 RMB'000	31.12.2023 RMB'000
Current financial liabilities (excluding trade and other payables and provisions)	—	—
Non-current financial liabilities (excluding trade and other payables and provisions)	—	(15,343)

17. INTERESTS IN ASSOCIATES/A JOINT VENTURE - continued

(b) Interest in a joint venture - continued

Summarised financial information of a joint venture - continued

Xili Pharmaceutical - continued

	31.12.2024 RMB'000	For the period from February 2023 (date of disposal) to 31 December 2023 RMB'000
Revenue	130,535	111,972
Profit for the period	5,297	5,552
Total comprehensive income for the period	5,297	5,552
Dividends received from the joint venture during the period	—	—
The above profit for the period includes the following:		
Depreciation and amortisation	6,882	5,852
Interest income	26	94
Interest expense	—	—
Income tax expense	(1,766)	(1,850)

17. INTERESTS IN ASSOCIATES/A JOINT VENTURE - continued

(b) Interest in a joint venture - continued

Summarised financial information of a joint venture - continued

Xili Pharmaceutical - continued

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	31.12.2024 RMB'000	31.12.2023 RMB'000
Net assets of Xili Pharmaceutical	136,086	130,788
Proportion of the Group's ownership interest in Xili Pharmaceutical	52.01%	52.01%
	70,778	68,023
Goodwill	155,026	155,026
Impairment loss recognised	(44,000)	(44,000)
Carrying amount of the Group's interest in Xili Pharmaceutical	181,804	179,049

18. INTANGIBLE ASSETS

	Exclusive distribution rights	Patent rights	Product rights	Others	Total
	RMB'000 (Note a & Note b(i))	RMB'000 (Note b)	RMB'000 (Note c)	RMB'000	RMB'000
COST					
At 1 January 2023	2,228,327	359,137	872,656	1,687	3,461,807
Transfer from deposits paid for acquisition of intangible assets	358,936	–	18,787	–	377,723
Additions	2,830	–	3,774	–	6,604
Deemed disposal of a subsidiary (Note 41)	–	(114,489)	–	–	(114,489)
At 31 December 2023	2,590,093	244,648	895,217	1,687	3,731,645
Transfer from deposits paid for acquisition of intangible assets	152,636	–	2,927	–	155,563
Additions	114,674	–	–	–	114,674
At 31 December 2024	2,857,403	244,648	898,144	1,687	4,001,882
AMORTISATION					
At 1 January 2023	772,611	181,324	358,966	155	1,313,056
Charge for the year	116,562	5,184	41,582	176	163,504
Eliminated on deemed disposal of a subsidiary (Note 41)	–	(51,360)	–	–	(51,360)
At 31 December 2023	889,173	135,148	400,548	331	1,425,200
Charge for the year	138,064	4,001	42,750	168	184,983
At 31 December 2024	1,027,237	139,149	443,298	499	1,610,183
IMPAIRMENT LOSS					
At 1 January 2023, 31 December 2023 and 2024	32,755	57,598	–	–	90,353
CARRYING VALUES					
At 31 December 2024	1,797,411	47,901	454,846	1,188	2,301,346
At 31 December 2023	1,668,165	51,902	494,669	1,356	2,216,092

18. INTANGIBLE ASSETS - continued

Notes:

(a) Exclusive distribution rights

(i) On 9 March 2008, the Group entered into an exclusive distribution agreement and a supplementary agreement (the "XinHuoSu Agreements") with Tibet Pharmaceutical in connection to a finished drug product (Lyophilized Recombinant Human Brain Natriuretic Peptide) which was distributed in the PRC market under the trade name of XinHuoSu for a term of three years with effect from 1 July 2008 to 30 June 2011.

Pursuant to the XinHuoSu Agreements, the Group obtained the exclusive distribution right of XinHuoSu for nil consideration and committed to handle the Phase IV clinical trials of XinHuoSu for 2,000 cases in the PRC to meet the drug safety standards set by the China Food and Drug Administration. The drug, XinHuoSu, to be used in the 2,000 case clinical trials would be provided by Tibet Pharmaceutical free of charge. All other costs of the 2,000 case clinical trials should be borne by the Group.

In the opinion of the directors of the Company, the Group obtained the exclusive distribution right of XinHuoSu on the basis that the Group should complete the clinical trials of XinHuoSu and would bear all the costs of the clinical trials. Therefore, the costs incurred in clinical trials of approximately RMB4,745,000 were capitalised as an intangible asset.

As at 31 December 2011, the exclusive distribution right was fully amortised.

(ii) On 23 August 2012, the Group entered into a product rights transfer agreement with 北京亞東生物製藥有限公司 (Beijing Yadong Biopharmaceutical Co., Ltd.) ("Beijing Yadong"), an independent third party. According to the Agreement, Tianjin Kangzhe purchased from Beijing Yadong the exclusive distribution rights of three Traditional Chinese Medicinal Products — Yin Lian Qing Gan Ke Li, Xiang Fu Yi Xue Kou Fu Ye, Ma Jiang Jiao Nang (collectively referred to as the "Three Products") for a term of 20 years with effect from 23 August 2012 at a consideration of RMB33,000,000. Tianjin Kangzhe exclusively promotes and sells the Three Products in the PRC and Beijing Yadong is responsible for the production of the Three Products as required by Tianjin Kangzhe and sells the Three Products exclusively to Tianjin Kangzhe.

During the year ended 31 December 2016, as the market base of the Three Products was relatively weak and the actual sales of the Three Products was lower than previously expected, there was an impairment indicator. Management performed an impairment assessment by estimating the recoverable amount of the Three Products. The recoverable amount of the Three Products had been determined from a value in use, based on the expected free cash flow up to the end of the exclusive distribution right at a discount rate of 11%. The recoverable amount of approximately RMB5,850,000 was lower than the carrying amount of approximately RMB25,850,000, an impairment loss of RMB20,000,000 was recognised for the year ended 31 December 2016.

18. INTANGIBLE ASSETS - continued

Notes: - continued

(a) Exclusive distribution rights - continued

(ii) - continued

During the year ended 31 December 2019, the management considered that there is an impairment indicator on the carrying amount of the Three Products as the actual sales of the Three Products was lower than previously expected. Management performed an impairment assessment by estimating the recoverable amount of Three Products. The recoverable amount of the Three products has been determined from a value in use, based on the expected free cash flow up to the end of the exclusive distribution right as at a discount rate of 11% and an impairment loss of RMB4,730,000 was recognised for the year ended 31 December 2019.

During the years ended 31 December 2024 and 2023, management reviews the performance of the Three Products and concludes that there is no indication that the impairment losses previously recognised no longer exist or have decreased.

As at 31 December 2024 and 2023, the exclusive distribution rights are fully impaired.

(iii) On 26 February 2016, the Group entered into an exclusive license agreement with AstraZeneca AB, an independent third party, pursuant to which AstraZeneca AB granted an exclusive license to the Group for the commercialisation of Plendil (Felodipine Sustained Release Tablet) in the PRC, at a consideration of US$310,000,000 (equivalent to approximately RMB2,029,012,000). US$155,000,000 had been paid in 2016 and the remaining balance of US$155,000,000 had been paid in 2017. As at 31 December 2024, the carrying amount of the exclusive distribution right was approximately RMB1,132,865,000 (2023: RMB1,234,316,000).

Under the exclusive license agreement, the Group has agreed to meet certain pre-agreed annual sales target in relation to the sales of Pendil in the PRC for the first three years of the term of the exclusive license agreement from years ended 31 December 2016 to 2018 and the annual sales target of respective years has been met. No additional annual sales target is required under the exclusive license agreement during the years ended 31 December 2024 and 2023.

The expected useful life of the exclusive license right is 20 years.

18. INTANGIBLE ASSETS - continued

Notes: - continued

(a) Exclusive distribution rights - continued

(iv) The Group acquired 100% of equity interest in Luqa Ventures Co., Limited ("Luqa") on 1 February 2021. This included the acquisition of the exclusive agency rights of prescription medical aesthetic products including Aethoxysklerol and other aesthetic medical drugs. The exclusive agency rights were measured at their fair values at the date of acquisition and the valuation of the intangible assets was performed by Vigers Appraisal & Consulting Limited, an independent valuer.

The fair value of the exclusive agency rights at the date of acquisition was determined based on the royalty rate method by capitalising future royalty income which a market participant would be willing to pay to use the exclusive agency rights for the remaining term of the exclusive agency rights. As at the acquisition date, the exclusive agency rights of prescription medical aesthetic products owned by Luqa amounted to RMB101,509,000. As at 31 December 2024, the carrying amount was approximately RMB52,365,000 (2023: RMB61,081,000).

The expected useful lives of the exclusive agency rights are ranging from 2 years to 10 years.

(v) On 27 June 2019, the Group entered into an exclusive license agreement with Sun Pharmaceutical Industrial Ltd., an independent third party, pursuant to which Sun Pharmaceutical Industrial Ltd. granted an exclusive license to the Group for the commercialisation of Tildrakizumab Injection in the PRC, at a consideration of US$32,000,000 (equivalent to approximately RMB221,687,000). During the year ended 31 December 2023, regulatory approval of Tildrakizumab Injection has been obtained from the National Medical Products Administration of the People's Republic of China ("NMPA") and the related deposits paid for acquisition of the exclusive distribution right has been transferred to intangible assets accordingly. As at 31 December 2024, the carrying amount of the exclusive distribution right under intangible assets was of approximately RMB280,331,000 (2023: RMB295,150,000).

(vi) On 3 December 2020, the Group entered into an exclusive license agreement with Cosmo Technologies Ltd., an independent third party, pursuant to which Cosmo Technologies Ltd. granted an exclusive license to the Group for the commercialisation of Methylthioninium Chloride Cosmo in the PRC, at a consideration of approximately RMB105,291,000. During the year ended 31 December 2024, regulatory approval of Methylthioninium Chloride Cosmo has been obtained from the NMPA. The related deposits paid for acquisition of the exclusive distribution right of approximately RMB105,291,000 has been transferred to intangible assets accordingly. As at 31 December 2024, the carrying amount of the exclusive distribution right under intangible assets was of approximately RMB104,414,000.

18. INTANGIBLE ASSETS - continued

Notes: - continued

(a) Exclusive distribution rights - continued

(vii) On 2 February 2024, the Group entered into a novation agreement with Vifor Fresenius Medical Care Renal Pharma Ltd. and Winhealth Investment (HK) Limited, both are independent third parties to the Group, pursuant to which Winhealth Investment (HK) Limited novated an exclusive license to the Group for the commercialisation of sucroferric oxyhydroxide chewable tablets in the PRC, at a consideration of USD15,000,000 and CHF1,000,000 (equivalent to approximately RMB114,674,000). As at 31 December 2024, the carrying amount of the exclusive distribution right under intangible assets was of approximately RMB110,372,000.

(b) Acquisition of exclusive distribution rights and patent rights

(i) The Group acquired 100% of equity interest in Great Move Enterprises Limited ("Great Move") and 51% of equity interest in Guangxi Kangzhe Guangming Pharmaceutical Co., Ltd. ("Kangzhe Guangming") on 3 April 2011 and 30 April 2011, respectively. This included the acquisition of exclusive distribution rights and patent rights for the sales of several products. The exclusive distribution rights and patent rights were measured at their fair values at the date of acquisition and the valuation of the intangible assets was performed by Vigers Appraisal & Consulting Limited, an independent valuer.

The fair value of the patent rights at the date of acquisition was determined based on the royalty rate method by capitalising future royalty income which a market participant would be willing to pay to use the patents for the remaining term of the patent right. The fair value of the exclusive distribution rights at the date of acquisition was determined based on the multi-period excess earnings method by capitalising future cash flows derived from the intangible assets for the remaining term of the distribution rights.

As at the acquisition date, the major patent rights owned by Tianjin Kangzhe, the wholly owned subsidiary of Great Move, represented YiNuoShu and ShaDuoLiKa amounting to RMB137,917,000 and RMB8,287,000, respectively and the exclusive distribution rights owned by Tianjin Kangzhe amounted to RMB39,350,000.

During the year ended 31 December 2020, the management considers that there is an impairment indicator on the carrying amount of YiNuoShu as there is adverse change in the Group's market shares in selling YiNuoShu. Therefore, a full impairment loss of RMB57,598,000 was recognised for the year ended 31 December 2020.

During the year ended 31 December 2024 and 2023, management reviews the performance of YiNuoShu and concludes that there is no indication that the impairment loss previously recognised no longer exist or have decreased.

18. INTANGIBLE ASSETS - continued

Notes: - continued

(b) Acquisition of exclusive distribution rights and patent rights - continued

(i) - continued

As at 31 December 2024 and 2023, the carrying amounts of patent rights of YiNuoShu, ShaDuoLiKa and other exclusive distribution rights owned by Tianjin Kangzhe were RMB nil, nil and nil, respectively.

The Group also acquired the exclusive distribution right and patent right of XiDaKang amounting to RMB5,813,000 and RMB7,715,000, respectively through the acquisition of a former subsidiary, Kangzhe Guangming. As at 31 December 2024, the carrying amount of the exclusive distribution right and patent right of XiDaKang were approximately RMB1,000,000 and RMB787,000, respectively (2023: RMB1,298,000 and RMB1,018,000).

The expected useful lives of the exclusive distribution rights and patent rights are ranging from 1 year to 17 years.

(ii) On 27 December 2013, the Group entered into a transfer agreement with the shareholders of non-controlling interests of Kangzhe Guangming (the "Sellers") in connection with the transfer of the patent right of XiDaKang at a consideration of RMB40,000,000. The Sellers, who directly held 49% equity interest of Kangzhe Guangming, agreed to transfer the 49% interest in the patent right of XiDaKang to Kangzhe Hunan, a wholly-owned subsidiary of the Company. The consideration will be settled by the first payment of RMB30,000,000 and annual payment of RMB1,000,000 to the Kangzhe Guangming over the next ten years. The directors of the Company recognised the payable as a deferred consideration payable in the amount of RMB6,145,000 at initial recognition which represents the present value of the annual consideration of RMB1,000,000 over next ten years discounted at 10%.

Pursuant to the transfer agreement, the 51% interest in the patent right of XiDaKang was also transferred from Kangzhe Guangming to Kangzhe Hunan. Starting from 27 December 2013, Kangzhe Hunan has replaced Kangzhe Guangming as the patent right owner of XiDaKang. As at 31 December 2024, the carrying amount of the patent right was approximately RMB8,405,000 (2023: RMB10,929,000).

The expected useful lives of the patent right is 14 years.

18. INTANGIBLE ASSETS - continued

Notes: - continued

(b) Acquisition of exclusive distribution rights and patent rights - continued

(iii) The Group acquired 100% of equity interest in Kangzhe Lengshuijiang Pharmaceutical Co., Ltd. (formerly known as Sinopharm Traditional Chinese Medicine Lengshuijiang Pharmaceutical Co., Ltd.) ("Kangzhe Lengshuijiang") on February 2013. This included the acquisition of the patent right of GanFuLe. The patent right was measured at their fair values at the date of acquisition and the valuation of the intangible assets was performed by Vigers Appraisal & Consulting Limited, an independent valuer.

The fair value of the patent right at the date of acquisition was determined based on the royalty rate method by capitalising future royalty income which a market participant would be willing to pay to use the patents for the remaining term of the patent right. As at the acquisition date, the patent right of GanFule owned by Kangzhe Lengshuijiang amounted to RMB16,005,000.

During the year ended 31 December 2016, Kangzhe Lengshuijiang was deregistered and merged with Kangzhe Hunan. The assets and liabilities held by Kangzhe Lengshuijiang were transferred to Kangzhe Hunan at the time of merger and Kangzhe Hunan is responsible for the production of GanFuLe after the merger. As at 31 November 2024, the carrying amount of the patent right of GanFuLe was fully amortised.

(iv) The Group acquired 52.01% of equity interest in Xili Pharmaceutical on 16 February 2015. This included the acquisition of the patent right of DanShenTong. The patent right was measured at their fair values at the date of acquisition and the valuation of the intangible assets was performed by Vigers Appraisal & Consulting Limited, an independent valuer.

The fair value of the patent right at the date of acquisition was determined based on the royalty rate method by capitalising future royalty income which a market participant would be willing to pay to use the patents for the remaining term of the patent right. As at the acquisition date, the patent right of DanShenTong owned by Xili Pharmaceutical, amounted to RMB114,489,000. The expected useful live of the patent right is 18 years.

In February 2023, the patent right of DanShenTong was disposed through the deemed disposal of Xili Pharmaceutical. Please refer to Note 41 for the details of deemed disposal of Xili Pharmaceutical.

18. INTANGIBLE ASSETS - continued

Notes: - continued

(b) Acquisition of exclusive distribution rights and patent rights - continued

(v) The Group acquired 64.81% of equity interest in Shanghai Carnation Medical Technology Co., Ltd. ("Carnation") on 8 June 2021. This included the acquisition of the patent right of a medical aesthetic device, FUBA5200 Focused Ultrasound Body Contouring System. The patent right was measured at its fair value at the date of acquisition and the valuation of the intangible assets was performed by Vigers Appraisal & Consulting Limited, an independent valuer.

The fair value of the patent right at the date of acquisition was determined based on the royalty rate method by capitalising future royalty income which a market participant would be willing to pay to use the patent right for the remaining term of the patent right. As at the acquisition date, the patent right of the medical aesthetic device owned by Carnation amounted to RMB38,706,000. As at 31 December 2024, the related patent is not yet available for use and are not amortised. The expected useful life of the patent rights is 10 years.

(c) Acquisition of product rights

(i) On 1 July 2014, the Group entered into a series of agreements related to Stulln with an independent third party, Pharma Stulln GmbH ("Pharma") in connection with the transfer of all assets related to Stulln for the Chinese market (including Hong Kong and Macau Special Administration Regions ("SAR")), including but not limited to the right of manufacturing Stulln for the Chinese market, marketing authorisation for the Chinese market and relevant intellectual property rights, including trademark in Chinese characters and know-how of Stulln, and has been licensed the exclusive right to utilise the trademark in English characters, at a consideration of EUR10,000,000 (equivalent to approximately RMB72,317,000). During the year ended 31 December 2014, the residual balance of the exclusive agency right of Stulln of approximately RMB14,625,000 was transferred to product right accordingly. As at 31 December 2024, the carrying amount of the product right was approximately RMB36,253,000 (2023: RMB40,071,000).The expected useful life of the product right is 20 years.

18. INTANGIBLE ASSETS - continued

Notes: - continued

(c) Acquisition of product rights - continued

(ii) On 17 December 2014, the Group entered into a series of agreements related to Lamisil Tablet and Parlodel Tablet (the "Products") with two independent third parties, Novartis AG and Novartis Pharma AG, the suppliers of the Products in Switzerland in connection with the transfer of all assets related to the Products, including the drug production license of Lamisil Tablet, co-marketing authorisation in Switzerland and imported drug license in China of Parlodel Tablet, all know-how, books and records, commercial and medical information exclusively to the Products for Chinese market (For Lamisil Tablet, Chinese market refers to Chinese Mainland; For Parlodel Tablet, Chinese market refers to Chinese Mainland and Hong Kong SAR and Taiwan), at a consideration of US$25,000,000 (equivalent to approximately RMB152,972,000). As at 31 December 2024, the carrying amount was approximately RMB81,170,000 (2023: RMB89,287,000).

The expected useful life of the product rights is 20 years.

(iii) On 25 March 2015, the Group entered into a series of agreements related to Combizym and Hirudoid (the "Purchased Products") with an independent third party, DKSH International AG, in connection with the purchase of (i) all trademarks regarding the Purchased Products; (ii) all market authorisations or similar licenses, certificates or approvals regarding the Purchased Products and all rights, benefits or other interests obtained; (iii) the exclusive right and title to develop, manufacture, register, apply for registration, import, market, distribute, sell or otherwise use and/or exploit the Purchased Products; and (iv) all books and records, commercial information and medical information related to the Purchased Products, with respect to Combizym in China, Hong Kong and Switzerland, and certain other designated countries or areas in Asia, and with respect to Hirudoid in China, at a consideration of Swiss Franc ("CHF") 76,600,000 (equivalent to approximately RMB486,019,000). As at 31 December 2024, the carrying amount was approximately RMB263,335,000 (2023: RMB289,026,000).

The expected useful life of the product rights is 20 years.

(iv) On 30 December 2014, the Group entered into an agreement related to Movicol (the "Product") with an independent third party, Norgine B.V., in connection with the purchase of the right to import, register, market, distribute, promote and sell the Product in the PRC including Hong Kong and Macau (the "Product Right"), at a consideration of EUR9,000,000 (equivalent to approximately RMB72,100,000), and such consideration has been recognised as deposit paid for acquisition of intangible asset as the Product is still under approval by the regulatory body. During the year ended 31 December 2019, the commercialisation of the Product has been approved by relevant regulatory body and therefore, the deposit has been transferred to intangible assets as it is probable that the expected future economic benefits that are attributable to the Product Right will flow to the Group. As at 31 December 2024, the carrying amount was approximately RMB50,470,000 (2023: RMB54,075,000).

The expected useful life of the product rights is 20 years.

19. GOODWILL

	RMB'000
COST	
At 1 January 2023	1,915,993
Deemed disposal of a subsidiary (Note 41)	(198,090)
At 31 December 2023 and 2024	1,717,903
IMPAIRMENT LOSS	
At 1 January 2023	250,000
Eliminated on deemed disposal of a subsidiary (Note 41)	(80,000)
At 31 December 2023 and 2024	170,000
CARRYING VALUES	
At 31 December 2023 and 2024	1,547,903

For the purposes of impairment testing, the entire amount of goodwill has been allocated to eight (2023: eight) CGUs, representing eight (2023: eight) subsidiaries, namely Tianjin Kangzhe, Kangzhe Hunan, Sky United Trading Limited ("Sky United"), Tibet Kangzhe Development, Luqa, Carnation, Xuli and Heling Medical (Guangzhou) Company Limited ("Heling"). Tianjin Kangzhe is engaged in marketing, promotion and sale of drugs. Sky United and Tibet Kangzhe Development are engaged in trading of drugs. Kangzhe Hunan is engaged in production of medicines. Luqa and Xuli are engaged in sales of medical aesthetic products. Carnation is engaged in research and development and manufacture of energy-based medical aesthetic devices. Heling is engaged in research, development and production of skincare products. The carrying amounts of goodwill (net of accumulated impairment losses) allocated to these units are as follows:

19. GOODWILL - continued

	2024 RMB'000	2023 RMB'000
Tianjin Kangzhe	990,333	990,333
Kangzhe Hunan	21,295	21,295
Sky United	2,963	2,963
Tibet Kangzhe Development	1,854	1,854
Luqa	460,002	460,002
Carnation	36,642	36,642
Xuli	30,576	30,576
Heling	4,238	4,238
	1,547,903	1,547,903

The recoverable amounts of Tianjin Kangzhe, Kangzhe Hunan, Sky United, Tibet Kangzhe Development, Luqa, Carnation, Xuli and Heling are determined based on value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past performance and expectations of future changes in the market.

Tianjin Kangzhe

At 31 December 2024, the impairment review is determined based on cash flow projections which were derived from the financial budgets approved by management covering a five-year period, with a discount rate of 12.6% (2023: 13.6%). Tianjin Kangzhe's cash flows beyond the five-year period are extrapolated using a growth rate of 2% (2023: 2%). This growth rate is based on management's best estimate and past experience on the industry.

During the year ended 31 December 2024 and 2023, no impairment loss was recognised.

19. GOODWILL - continued

Kangzhe Hunan

At 31 December 2024, the impairment review is determined based on cash flow projections which were derived from the financial budgets approved by management covering a five-year period, with a discount rate of 11.0% (2023: 13.0%). Kangzhe Hunan's cash flows beyond the five-year period are extrapolated using a growth rate of 2% (2023: 2%). This growth rate is based on management's best estimate and past experience on the industry.

During the years ended 31 December 2024 and 2023, no impairment loss was recognised.

Luqa

At 31 December 2024, the impairment review is determined based on cash flow projections which were derived from the financial budgets approved by management covering a five-year period, with a discount rate of 14.8% (2023: 14.6%). Luqa's cash flows beyond the five-year period are extrapolated using a growth rate of 2% (2023: 2%). This growth rate is based on management's best estimate and past experience on the industry. During the year ended 31 December 2024 and 2023, no impairment loss was recognised.

Carnation

At 31 December 2024, the impairment review is determined based on cash flow projections which were derived from the financial budgets approved by management covering a five-year period, with a discount rate of 24.4% (2023: 23.8%). Carnation's cash flows beyond the five-year period are extrapolated using a growth rate of 2% (2023: 2%). This growth rate is based on management's best estimate and past experience on the industry. During the year ended 31 December 2024 and 2023, no impairment loss was recognised.

Xuli

At 31 December 2024, the impairment review is determined based on cash flow projections which were derived from the financial budgets approved by management covering a five-year period, with a discount rate of 13.3% (2023: 13.1%). Xuli's cash flows beyond the five-year period are extrapolated using a growth rate of 2% (2023: 2%). This growth rate is based on management's best estimate and past experience on the industry. During the year ended 31 December 2024 and 2023, no impairment loss was recognised.

The goodwill of Sky United, Tibet Kangzhe Development and Heling was immaterial as at the end of both reporting periods. No impairment loss was recognised for both years.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(a) Financial assets at FVTPL

	2024 RMB'000	2023 RMB'000
Listed investments:		
Equity securities listed on the Hong Kong Stock Exchange (the "HKEX") (Note i)	2,474	2,602
Unlisted investments:		
Capital funds (Note ii)	926,124	843,190
Equity securities (Note iii)	1,231,499	986,466
	2,157,623	1,829,656
Total	2,160,097	1,832,258

Notes:

(i) The listed equity investment represents ordinary shares of one entity listed on the HKEX.(2023: one entity) The investment is held for trading and its fair value is based on the quoted market price. During the year ended 31 December 2023, the Group invested RMB4,784,000 into listed equity investment (2024: Nil). As at 31 December 2024, the fair values of the equity investments amounted to RMB2,474,000, and a loss on change in fair value of RMB128,000 has been recognised in profit and loss (2023: a fair value loss of RMB2,182,000).

(ii) During the year ended 31 December 2024, the Group further invested approximately RMB97,145,000 (2023: RMB145,505,000) into various capital funds. During the year ended 31 December 2024, the Group disposed investment in a capital fund amounted to RMB6,007,000 (2023: RMB20,343,000). As at 31 December 2024, the fair values of these capital funds amounted to RMB926,124,000 (2023: RMB843,190,000), and a loss on change in fair value of RMB8,204,000 (2023: a gain of RMB16,074,000) has been recognised in profit and loss.

(iii) During the year ended 31 December 2024, the Group further invested approximately RMB245,726,000 (2023: RMB227,726,000) in various unlisted equity investments. As at 31 December 2024, the fair values of the equity investments amounted to RMB1,231,499,000 (2023: RMB986,466,000), and a loss on change in fair value of RMB693,000 (2023: a gain of RMB1,506,000) has been recognised in profit and loss.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - continued

(b) Equity instruments at FVTOCI

	2024 RMB'000	2023 RMB'000
Listed investments:		
Equity securities listed on		
London Stock Exchange Plc (the "LSE") (Note i)	—	21,830
Euronext N.V. (the "ENV") (Note ii)	—	16,707
National Association of Securities Dealers Automated Quotations (the "NASDAQ") (Note iii)	20	12
	20	38,549
Unlisted investments:		
Equity securities (Note iv)	129,763	125,344
Total	129,783	163,893

The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - continued

(b) Equity instruments at FVTOCI - continued

Notes:

(i) The listed equity investment represents ordinary shares of Destiny Pharma Plc ("Destiny") listed on LSE. The investments are denominated in Great British Pound ("GBP") and the fair values are based on the quoted market price. The Group first invested approximately GBP3,000,000 (equivalent to RMB26,291,000) in Destiny during the year ended 31 December 2017. The Group further invested GBP1,000,000 (equivalent to RMB8,435,000) in Destiny during the year ended 31 December 2020.

During the year ended 31 December 2024, Destiny has cancelled the admission of its ordinary shares from trading on LSE. As at 31 December 2024, the fair value of Destiny was determined by making reference to the latest share price of Destiny before the cancellation which amounted to nil (2023: RMB21,830,000), and a loss on change in fair value of RMB21,830,000 (2023: a fair value gain of RMB6,340,000) has been recognised in other comprehensive income.

(ii) The listed equity investment represents ordinary shares of Acticor Biotech ("Acticor"), which became listed on ENV on 1 November 2021. The Group first invested approximately EUR4,000,000 (equivalent to RMB30,607,000) in Acticor during the year ended 31 December 2018. The Group further invested EUR 1,000,000 (equivalent to RMB7,595,000) in Acticor during the year ended 31 December 2021. The investment is denominated in EUR and the fair value is based on the quoted market price.

As at 31 December 2024, the fair value of the equity investment amounted to Nil (2023: RMB16,707,000), and a loss on change in fair value of RMB16,707,000 (2023: a fair value loss of RMB21,709,000) has been recognised in other comprehensive income.

(iii) The listed equity investment represents ordinary shares of Biodexa Pharmaceuticals PLC ("Biodexa") listed on NASDAQ. The fair values are based on the quoted market price. The Group invested approximately GBP4,000,000 (equivalent to RMB34,705,000) in Biodexa during year ended 31 December 2019. During the year ended 31 December 2023, Biodexa transferred its listing from LSE to NASDAQ. As at 31 December 2024, the fair value of Biodexa amounted to RMB20,000 (2023: RMB12,000), and a gain on change in fair value of RMB8,000 (2023: a fair value loss of RMB991,000) has been recognised in other comprehensive income.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - continued

(b) Equity instruments at FVTOCI - continued

Notes: - continued

(iv) The unlisted equity investments represent the Group's equity interests in the various biotech/pharmaceutical companies.

As at 31 December 2024, the fair values of the equity investments amounted to RMB129,763,000 (2023: RMB125,344,000). The fair values of the above unlisted equity investments were performed by a professional independent valuer. During the year ended 31 December 2024, a gain on change in fair value of RMB4,419,000 (2023: a loss of RMB107,703,000) has been recognised in other comprehensive income.

21. INVENTORIES

	2024 RMB'000	2023 RMB'000
Raw materials	56,024	31,497
Work in progress	3,595	8,888
Finished goods	708,520	597,251
	768,139	637,636

22. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2024 RMB'000	2023 RMB'000
Trade receivables	1,232,012	1,156,770
Less: Allowance for credit losses	(9,533)	(10,032)
	1,222,479	1,146,738
Bills receivables	198,805	180,960
Purchase prepayments	204,617	148,939
Other receivables and deposits	154,582	91,950
	1,780,483	1,568,587

As at 1 January 2023, trade receivables from contracts with customers amounted to RMB1,442,035,000.

The Group normally allows a credit period ranging from 0 to 90 days to its trade customers, but longer credit period up to four months is allowed to some selected customers.

The following is an analysis of trade receivables by age, net of allowance for credit losses presented based on the dates of receipt of goods at the respective reporting dates, which approximate the revenue recognition dates and an analysis of bills receivables by age, net of allowance for credit losses, presented based on the bills issuance date at the end of the reporting period:

	2024 RMB'000	2023 RMB'000
Trade receivables		
0–90 days	1,186,892	1,127,469
91–365 days	35,587	19,269
	1,222,479	1,146,738
Bills receivables		
0–90 days	133,854	105,719
91–120 days	32,616	19,380
121–180 days	32,335	55,861
	198,805	180,960

22. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS - continued

As at 31 December 2024, total bills receivables amounting to RMB198,805,000 (2023: RMB180,960,000) are held by the Group. All bills receivables by the Group are accepted by banks with a maturity period of less than six months.

As at 31 December 2024, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB4,243,000 (2023: RMB18,039,000) which are past due at the reporting date. RMB525,000 (2023: RMB4,588,000) was more than 90 days past due and is not considered as in default. Based on the historical experiences of the Group, trade receivables past due are generally recoverable due to the long-term relationship and good repayment record.

The Group does not hold any collateral over these balances. Details of impairment assessment of trade and other receivables as at 31 December 2024 and 2023 are set out in Note 35.

23. DEPOSITS PAID FOR ACQUISITION OF INTANGIBLE ASSETS

These deposits were paid to independent third parties not connected with the Group for certain exclusive distribution or product rights of medical products to be approved by relevant regulatory bodies for the sales in specific territories. During the year ended 31 December 2024, the Group made approximately RMB308,615,000 (2023: RMB269,165,000) additional deposits in various medical products. During the year ended 31 December 2024, amount of RMB155,563,000 (2023: RMB377,723,000) of certain exclusive distribution or product rights have been transferred to intangible assets when regulatory approvals of the products have been obtained. During the year ended 31 December 2024, an impairment loss of RMB1,152,000 (2023: RMB163,462,000) was recognised in profit or loss.

24. AMOUNTS DUE FROM ASSOCIATES

As at 31 December 2024, the balance of approximately RMB30,000,000 (2023: RMB30,000,000) was non-trade nature and non-interest bearing, represented deposit to Tibet Pharmaceutical for exclusive distribution right.

As at 31 December 2024, the balance of approximately RMB284,088,000 (2023: RMB408,167,000) was trade nature and non-interest bearing, represented promotion income receivables from Tibet Pharmaceutical and associates. The Group allows a credit period of 90 days to Tibet Pharmaceutical. The balance as at 31 December 2024 was aged within three months (2023: within three months) based on the invoice date.

25. BANK BALANCES AND CASH

Cash and cash equivalents/pledged/restricted bank deposits

Cash and cash equivalents include short term deposits for the purpose of meeting the Group's short term cash commitments, which carry interest at market rates range from 0.0001% to 4.47% (2023: 0.25% to 5.45%). Included in bank balances mainly are the following amounts denominated in currencies other than functional currency of the relevant group entities:

	2024 RMB'000	2023 RMB'000
Euro ("EUR")	116,671	516,647
Hong Kong Dollar ("HK$")	22,384	18,833
United States Dollar ("US$")	1,457,783	1,473,920

Details of the impairment of bank balances are set out in Note 35.

26. TRADE AND OTHER PAYABLES

An aging analysis of the trade payables presented based on the invoice date at the end of the reporting periods is as follows:

	2024 RMB'000	2023 RMB'000
0–90 days	135,883	136,568
91–365 days	4,212	4,171
Over 365 days	2,337	925
Trade payables	142,432	141,664
Payroll and welfare payables	214,922	178,074
Other tax payables	27,416	21,222
Accrued promotion expenses	26,315	39,177
Accruals	61,232	42,609
Other payables	12,480	14,230
	484,797	436,976

The credit period on purchases of goods is ranging from 0 to 120 days.

27. LEASE LIABILITIES

	2024 RMB'000	2023 RMB'000
Lease liabilities payable:		
Within one year	16,933	15,416
Within a period of more than one year but not more than two years	7,192	7,536
Within a period of more than two years but not more than five years	5,318	9,135
	29,443	32,087
Less: Amount due for settlement with 12 months shown under current liabilities	(16,933)	(15,416)
Amount due for settlement after 12 months shown under non-current liabilities	12,510	16,671

The weighted average incremental borrowing rate applied to lease liabilities is 4.75% for both years.

28. CONTRACT LIABILITIES

	2024 RMB'000	2023 RMB'000
Receipts in advance from customers — finished goods	16,610	12,733

As at 1 January 2023, contract liabilities amounted to RMB21,614,000.

The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities.

	2024 RMB'000	2023 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	12,733	21,614

When the Group receives a deposit from customers before the goods are delivered to and received by the customers, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit.

29. BANK BORROWINGS

	2024 RMB'000	2023 RMB'000
Bank loans	831,300	1,269,650
Analysed as:		
Unsecured	831,300	1,269,650

	2024 RMB'000	2023 RMB'000
The carrying amounts of the above borrowings are repayable*:		
Within one year	831,300	1,269,650
	831,300	1,269,650
Less: Amounts due within one year shown under current liabilities	(831,300)	(1,269,650)
Amounts shown under non-current liabilities	—	—

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

29. BANK BORROWINGS - continued

The ranges of effective interest rates (which are also equal to contractual interest rate) on the Group's borrowings and their carrying values are as follows:

	2024 RMB'000	2023 RMB'000
Variable-rate borrowings		
Denominated in HK$ range from 5.27% to 5.87% per annum as at 31 December 2023 (Notes a & b)	—	679,650
Fixed-rate borrowing		
Denominated in RMB at fixed rate of 1.10% per annum as at 31 December 2024	40,300	—
Denominated in RMB at fixed rate of 1.35% per annum as at 31 December 2024	19,000	—
Denominated in RMB at fixed rate of 2.40% per annum as at 31 December 2024	185,000	—
Denominated in RMB at fixed rate of 2.50% per annum as at 31 December 2024	500,000	—
Denominated in RMB at fixed rate of 2.60% per annum as at 31 December 2024	87,000	—
Denominated in RMB at fixed rate of 2.65% per annum as at 31 December 2023	—	590,000
Total	831,300	1,269,650

Notes:

(a) Variable rates range from Hong Kong Interbank Offered Rate ("HIBOR") plus 0.60% as at 31 December 2023.

(b) As at 31 December 2023, the Group uses interest rate swaps to minimise its exposure to interest rate movements on the variable-rate bank borrowings of approximately RMB679,650,000. The principal amount of the variable-rate bank borrowings was repaid on 13 September 2024. Details of the interest rate swaps are disclosed in Note 31.

As at 31 December 2024, the Group had unutilised banking facilities of approximately RMB1,880,341,000 (2023: RMB2,550,000).

30. DEFERRED TAX

The following are the deferred tax assets (liabilities) recognised and movements thereon during the current and prior years:

	Unrealised profits on inventories	Fair value adjustments to assets acquired in business combinations	Unrealised profit of equity instruments at FVTOCI	Fair value change on cash flow hedges	Unrealised profit of equity instruments at FVTPL	Tax losses	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	23,078	(30,037)	(63,964)	(652)	(30,306)	14,728	1,201	(85,952)
Credit (charge) to profit or loss for the year (Note 11)	1,966	3,055	–	–	(4,498)	622	–	1,145
Credit to other comprehensive income	–	–	–	652	–	–	–	652
Deemed disposal of a subsidiary (Note 41)	–	16,777	–	–	–	(1,199)	–	15,578
At 31 December 2023	25,044	(10,205)	(63,964)	–	(34,804)	14,151	1,201	(68,577)
Credit (charge) to profit or loss for the year (Note 11)	6,566	1,255	–	–	(8,391)	5,731	–	5,161
At 31 December 2024	31,610	(8,950)	(63,964)	–	(43,195)	19,882	1,201	(63,416)

The following is the analysis of the deferred tax assets (liabilities) for financial reporting purposes:

	2024 RMB'000	2023 RMB'000
Deferred tax assets	52,693	40,396
Deferred tax liabilities	(116,109)	(108,973)
	(63,416)	(68,577)

30. DEFERRED TAX - continued

At 31 December 2024, the Group had unused tax losses of approximately RMB455,987,000 (2023: RMB310,006,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB138,603,000 (2023: RMB89,682,000) of such losses. No deferred tax asset has been recognised in respect of the remaining approximately RMB317,384,000 (2023: RMB220,324,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses at 31 December 2024 are tax losses of approximately RMB73,650,000 (2023: RMB60,196,000) that will expire within 5 years from the year of originating. Other tax losses may be carried forward indefinitely. During the year ended 31 December 2024, tax losses of approximately RMB1,364,000 (2023: RMB4,795,000) was expired.

As at 31 December 2024, the Group had deductible temporary differences of RMB844,095,000 (2023: RMB820,023,000) available for offsetting against future profits. A deferred tax asset has been recognised in respect of RMB126,436,000 (2023: RMB100,176,000) of such deductible temporary difference. No deferred tax asset has been recognised in respect of the remaining balance of RMB717,659,000 (2023: RMB719,847,000) as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiary, from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB7,753,081,000 (2023: RMB8,125,080,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

31. DERIVATIVE FINANCIAL INSTRUMENTS

	2024 RMB'000	2023 RMB'000
Current liability:		
Foreign exchange forward contract with interest rate Swap	—	(17,227)

Foreign exchange forward contracts

The Group uses foreign exchange forward contracts to minimise its exposure to exchange rate change on its bank borrowings. The foreign exchange forward contracts and the corresponding bank borrowings have the same principal amounts and maturity dates. The foreign exchange forward contract carried forward from 31 December 2023 was matured and settled during the year end 31 December 2024. As of 31 December 2024, the Group had no outstanding foreign exchange forward contracts. Major terms of the foreign exchange forward contracts as at 31 December 2023 are set out below:

At 31 December 2023

Notional amount	Maturity date	Exchange rate range agreed
HK$750,000,000	13 September 2024	HK$1: RMB0.9280

During the year ended 31 December 2024, the fair value gain of approximately RMB17,227,000 (2023: the fair value loss of RMB49,785,000) has been recognised in "other gains and losses" line item (see Note 7).

Interest rate swaps

The Group uses interest rate swaps to minimise its exposure to interest rate movements on its variable-rate bank borrowings. The interest rate swaps and the corresponding bank borrowings have the same terms, such as principal amounts, interest rate spread, start dates, repayment data, maturity and counterparties, and the directors of the Company consider that the interest rate swaps are highly effective hedging instruments. The interest rate swaps carried forward from 31 December 2023 was matured and settled during the year end 31 December 2024. As of 31 December 2024, the Group has no outstanding interest rate swaps. Major terms of the interest rate swaps as at 31 December 2023 set out below:

31. DERIVATIVE FINANCIAL INSTRUMENTS - continued

Interest rate swaps - continued

At 31 December 2023

Notional amount	Liability at carrying amount	Contract date	Maturity date	Receive	Pay
HK$750,000,000	RMB17,227,000	15 September 2023	13 September 2024	HIBOR + 0.60%	3.80%

The fair values of interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates. All of the above interest rate swaps are designated and effective as cash flow hedges. During the year ended 31 December 2024, no fair value change (2023: fair value loss of approximately RMB8,902,000, income tax of approximately RMB652,000), no net amount has been recognised in other comprehensive income and accumulated in equity (2023: net amount of approximately RMB8,250,000).

32. SHARE CAPITAL

	Number of shares '000	Amount RMB'000
Ordinary shares of US$0.005 each		
Authorised		
At 1 January 2023, 31 December 2023 and 31 December 2024	20,000,000	765,218
Issued and fully paid		
At 1 January 2023 and 31 December 2023	2,451,989	83,991
Shares repurchased and cancelled (Note)	(12,460)	(427)
At 31 December 2024	2,439,529	83,564

Note: During the year ended 31 December 2024, the Company repurchased its own ordinary shares through The Stock Exchange of Hong Kong Limited as follows:

32. SHARE CAPITAL - continued

Month of repurchase	No. of ordinary shares of US$0.005 each	Price per share		Aggregated consideration paid
		Highest	Lowest	
		HK$	HK$	HK$
March 2024	1,180,000	8.43	8.24	9,841,438
April 2024	21,780,000	8.00	6.95	161,037,720
May 2024	12,500,000	7.63	7.09	91,913,310
Total	35,460,000			262,792,468

During the year ended 31 December 2024, 12,460,000 shares were cancelled, the rest of 23,000,000 shares were repurchased by the trustee of the Company and were not cancelled and remained as treasury stock as at 31 December 2024 at a cost of HK$171,810,000 (equivalent to RMB157,947,000) in equity.

33. RESERVES

Capital reserve

Capital reserve resulted from transactions between the Group and its shareholders. It mainly represents equity shares of Shenzhen Kangzhe granted by Mr. Lam Kong, a director and former shareholder of Shenzhen Kangzhe, to certain employees for their services rendered in prior year, rights granted by Mr. Lam Kong to certain employees to receive cash at a pre-determined formula for their services rendered in prior year, waiver of an advance to the Company by Mr. Lam Kong in 2006, discount on acquisitions of additional interest in subsidiaries from Mr. Lam Kong in 2004 and 2005, the difference between the transfer of the entire interest in Shenzhen Kangzhe to Sino Talent Limited ("Sino Talent") pursuant to the group restructuring in 2005 and the nominal value of Shenzhen Kangzhe's share capital, and difference between the par value of shares issued by the Company for the entire interest in CMS International Limited ("CMS International") and Healthlink Consultancy Inc. ("Healthlink") pursuant to the group reorganisation in 2006 and the nominal value of the issued share capital of CMS International and Healthlink in preparation for the listing of the Company's shares. The balance was reduced by the capitalisation issue in 2007. The equity shares and rights granted by Mr. Lam Kong to certain employees had been terminated on or before 2006.

On 19 April 2010, the Group acquired an additional interest in Sky United. An amount of approximately RMB15,026,000, representing the excess of the fair value of the new ordinary shares issued by the Company over the decrease in the carrying value of the non-controlling interests is charged to capital reserve.

During the year ended 31 December 2010, a deemed distribution to a shareholder was charged to capital reserve in respect of expenses incurred for a shareholder during the initial public offering exercise by the Company.

33. RESERVES - continued

Surplus reserve fund

Articles of Association of the Group's subsidiaries established in the PRC require the appropriation of certain percentage of their profit after taxation each year to the surplus reserve fund until the balance reaches 50% of the registered capital of the relevant subsidiaries. In normal circumstances, the surplus reserve fund shall only be used for making up losses, capitalisation into registered capital and expansion of the subsidiaries' production and operation. For the capitalisation of surplus reserve fund into registered capital, the remaining amount of such reserve shall not be less than 25% of the registered capital.

34. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year. The capital structure of the Group consists of cash and cash equivalents, bank borrowings and equity attributable to owners of the Company, comprising issued share capital and reserves including accumulated profits.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs.

35. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2024 RMB'000	2023 RMB'000
Financial assets		
Financial assets at amortised cost	5,668,682	6,204,818
Equity instruments at FVTOCI	129,783	163,893
Financial assets at FVTPL	2,160,097	1,832,258
Financial liabilities		
At amortised cost	(1,201,134)	(1,604,618)
Derivative financial instruments		
-foreign exchange forward contracts	—	(17,227)

Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, equity instruments at FVTOCI, trade and other receivables, loan receivable, amounts due from associates, derivative financial instruments, bank balances and cash, trade and other payables, lease liabilities and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (interest rate risk, foreign currency risk and other price risk), credit risk, liquidity risk and risks arising from the interest rate benchmark reform. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

35. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Market risk

Interest rate risk management

The Group is exposed to fair value interest rate risk in relation to lease liabilities (see Note 27). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (see Note 25) and variable-rate bank borrowings (see Note 29). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates at HIBOR arising from the Group's HK$ denominated borrowings. The Group aims at keeping borrowings at fixed rates. In order to achieve this result, the Group entered into interest rate swaps to hedge against its exposures to changes in cash flow of the HIBOR bank borrowings. The critical terms of these interest rate swaps are similar to those of hedged borrowings. These interest rates swaps are designated as effective hedging instruments and hedge accounting is used (see Note 31).

Interest income of RMB126,344,000 was earned (2023: RMB146,475,000) from financial assets that are measured at amortised cost (including cash and cash equivalents) for the year ended 31 December 2024.

Interest expense of RMB38,610,000 was incurred (2023: RMB46,251,000) on financial liabilities not measured at FVTPL that are measured at amortised cost for the year ended 31 December 2024.

Sensitivity analysis

The directors of the Company consider that the interest rate risk in relation to bank balances is not significant as the fluctuation of the interest rates on bank balances is minimal and therefore, bank balances are not included in the sensitivity analysis.

The sensitivity analyses below have been determined based on the exposure to interest rates, including derivatives which are designated as effective hedging instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point (2023: 50 basis point) increase or decrease in variable-rate bank borrowings and interest rate swaps designed to hedge cash flow interest rate risk are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

35. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Market risk - continued

Sensitivity analysis - continued

If interest rates had been 50 basis points (2023: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2024 would decrease/increase by Nil (2023: RMB2,549,000). This is mainly attributable to the Group's exposure to interest rates on certain of its HIBOR bank borrowings.

Foreign currency risk management

Some subsidiaries of the Company have foreign currency purchases, which expose the Group to foreign currency risk. Approximately 67% (2023: 56%) of the Group's purchases are denominated in currencies other than the functional currencies of the group entities making the purchase. All sales of the Group are denominated in functional currency of the group entities making the sale. Management conducts periodic review of exposure and settlements of various currencies and will consider hedging significant foreign currency exposures should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets (representing financial assets at FVTPL, trade and other receivables, loan receivable and bank balances and cash) and monetary liabilities (representing trade and other payables and bank borrowings) at the reporting date are as follows:

	Assets		Liabilities	
	2024 RMB'000	2023 RMB'000	2024 RMB'000	2023 RMB'000
US$	2,380,684	2,368,814	2,130	3,543
EUR	214,648	531,007	5,182	17,530
HK$	31,085	28,815	1,530	683,412

35. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Market risk - continued

Foreign currency risk management - continued

The Group is mainly exposed to currency risk of the US$, EUR and HK$. The following table details the Group's sensitivity to a 5% (2023: 5%) increase and decrease in the functional currencies of the relevant group entities against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2023: 5%) change in foreign currency rates. The sensitivity analysis includes financial assets at FVTPL, derivative financial instruments, loan receivable, bank balances, trade and other payables and bank borrowings of which the foreign currency exposures are not hedged with hedging instruments. A positive/negative number below indicates an increase/decrease in post-tax profit for the year where the functional currencies of the relevant group entities strengthen 5% (2023: 5%) against the relevant foreign currencies. If there is a 5% (2023: 5%) weakening in functional currencies of the relevant group entities against the relevant foreign currencies, there would be an equal and opposite impact on the profit for the year:

	2024 RMB'000	2023 RMB'000
RMB (as functional currency of the relevant group entities) against US$	(89,196)	(88,698)
RMB (as functional currency of the relevant group entities) against EUR	(7,855)	(19,255)
RMB (as functional currency of the relevant group entities) against HK$	(1,108)	24,547

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure at the end of the reporting period does not reflect the exposure during both years.

35. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Market risk - continued

Other price risk management

The Group is exposed to equity price risk through its investments in equity securities. The Group's equity price risk is mainly concentrated on equity instruments operating in pharmaceutical industry sector quoted in the LSE, ENV and NYSE.

Sensitivity analysis

The following details the Group's sensitivity to a 10% (2023: 10%) increase and decrease in the quoted market price of the equity securities. 10% (2023: 10%) is the sensitivity rate used when reporting other price risk internally to key management personnel and represents management's assessment of the reasonably possible change in the quoted market price of the equity securities measured at FVTOCI. If there is a 10% (2023:10%) higher/lower in the quoted market price of the equity securities, the other comprehensive income would be increased/decreased by RMB2,000 (2023: RMB3,855,000).

The management considers that the other price risk in respect of financial assets at FVTPL is minimal due to the insignificant balance as at 31 December 2024 and 2023.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade and other receivables, bank balances, amounts due from associates and loan receivable. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed once a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. In addition, the Group performs impairment assessment under ECL model on trade balances individually or based on provision matrix based on share credit risk characteristics by reference to repayment history for recurring customers and current past due exposure for the new customers.

Except for the derivative financial instruments, financial assets at FVTPL and equity instruments at FVTOCI, the Group performed impairment assessment for financial assets and other items under ECL model.

35. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Credit risk and impairment assessment - continued

Trade receivables arising from contracts with customers

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed every year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. The Group only accepts bills issued or guaranteed by reputable PRC banks, if trade receivables are settled by bills and therefore the management of the Group considers the credit risk arising from the endorsed or discounted bills is insignificant.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which almost accounted for 100% (2023: 100%) of the total trade receivables as at 31 December 2024. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals.

In addition, the Group performs impairment assessment under ECL model on trade balances individually or based on provision matrix. Except for credit-impaired trade receivables, the remaining trade receivables are grouped under a provision matrix based on shared credit risk characteristics by reference to repayment histories for recurring customers and current past due exposure for new customers and forward-looking information. Net reverse of impairment of RMB499,000 (2023:an impairment of RMB82,000) is recognised for the year ended 31 December 2024. Details of the quantitative disclosures are set out below in this note.

Bank balances

Credit risk on bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies. The Group assessed 12m ECL for bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on this, the 12m ECL on bank balances is considered to be insignificant.

35. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Credit risk and impairment assessment - continued

Amounts due from associates

The Group regularly monitors the business performance of the associate. The Group's credit risk in this balance is mitigated through the value of the assets held by this entity and the power to participate in the financial and operating policy decision of this entity. The Group assessed the loss allowance for trade related balance with the associate on lifetime ECL basis and non-trade related balance with the associate on 12m ECL basis. The Group performs impairment assessment under ECL model on this trade balance individually and the directors of the Company believe that there are no significant increases in credit risk at the reporting date of these amounts and the trade receivables due from the associates have been subsequently settled. For the years ended 31 December 2024 and 2023, the Group assessed the ECL for amounts due from associates to be insignificant and thus no loss allowance was recognised.

Other receivables and deposits

For other receivables and deposits, the directors of the Company make periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportable and forward-looking information available without undue costs or effort. The directors of the Company believe that there is no significant increase in credit risk at the reporting date of these amounts since initial recognition. During the year ended 31 December 2024, no impairment has been recognised (2023: impairment loss of RMB6,713,000).

Loan receivable

The Group has a policy for assessing the impairment on loans receivable on individual basis. These debtors include a supplier of the Group and an entity in which the Group has invested in its equity interest and accounted for as equity instrument at FVTOCI. The ECL rates are estimated based on the credit quality classification and forward-looking information, including but not limited to the financial status of each borrower. During the year ended 31 December 2024, no impairment has been recognised (2023: impairment loss of RMB35,414,000).

35. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Credit risk and impairment assessment - continued

The Group's internal credit risk scoring assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Normal risk	The counterparty has either a low risk of default and does not have any past-due amounts or frequently settles after due dates but usually settle in full	Lifetime ECL - not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL - not credit-impaired	Lifetime ECL - not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

35. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Credit risk and impairment assessment - continued

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	Internal credit rating	12m or lifetime ECL	2024 Gross carrying amount		2023 Gross carrying amount	
				RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at amortised cost							
Trade receivables	22	Note 1	Lifetime ECL - not credit-impairment Provision matrix	1,225,639		1,150,397	
		Loss	Credit-impaired	6,373	1,232,012	6,373	1,156,770
Bills receivables (Note 2)	22	Low risk	12m ECL	198,805		180,960	
Amounts due from associates (Notes 2 and 3)	24	Low risk	12m ECL	30,000		30,000	
			Lifetime ECL - Not credit-impaired	284,088	314,088	408,167	438,167
Bank balances (Note 2)	25	Low risk	12m ECL	3,706,501		4,311,058	
Other receivables and deposits (Note 2)	22	Low risk	12m ECL	154,582		98,663	
Loan receivable (Note 2)		Low risk	12m ECL	72,227		35,945	
		Loss	Credit-impaired	35,414	107,641	35,414	71,359

35. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Credit risk and impairment assessment - continued

Notes:

(1) For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for credit-impaired balances, the Group determines the ECL on these items by using a provision matrix, grouped by internal credit rating.

Provision matrix — internal credit rating

As part of the Group's credit risk management, the Group applies internal credit rating for its customers. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix as at 31 December 2024 and 2023 within lifetime ECL (not credit-impaired). Debtors with credit-impaired with gross carrying amount of RMB6,373,000 as at 31 December 2024 (2023: RMB6,373,000) were assessed individually.

Gross carrying amount

	2024		2023	
Internal credit rating	Average loss rate	Trade receivables	Average loss rate	Trade receivables
		RMB'000		RMB'000
Normal risk	0.2%	1,214,804	0.3%	1,135,568
Doubtful	6.3%	10,835	3.3%	14,829
		1,225,639		1,150,397

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

35. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Credit risk and impairment assessment - continued

(1) - continued

During the year ended 31 December 2024, a reversal of impairment of RMB499,000 was recognised (2023:impairment loss of RMB82,000) impairment allowance for trade receivables based on provision matrix. Impairment allowance of RMB6,373,000 (2023: RMB6,373,000) were made on credit-impaired debtors.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2023	3,577	6,066	9,643
Impairment losses recognised	82	10,514	10,596
Write-offs	—	(10,207)	(10,207)
As at 31 December 2023	3,659	6,373	10,032
Impairment losses reversed	(499)	—	(499)
As at 31 December 2024	3,160	6,373	9,533

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over three years past due, whichever occurs earlier. The Group has taken legal action against the debtors to recover the amount due.

35. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Credit risk and impairment assessment - continued

(2) The Group assessed the loss allowance for bills receivables, other receivables, bank balances, amounts due from associates and loan receivable on 12m ECL basis. In determining the ECL of the bank balances, the Group has taken into account the counterparties are reputable banks with high credit ratings assigned by international credit agencies and forward-looking information as appropriate. The Group assessed 12m ECL for bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies and the management considers that the ECL on the bank balances is immaterial. In determining the ECL other than the bank balances, the Group has taken into account the historical default experience and forward-looking information as appropriate, including changes in growth rate of gross domestic product of the PRC. There had been no significant increase in credit risk since initial recognition. The Group has considered the consistently low historical default rate in connection with payments and concluded that the ECL on these balances is immaterial.

(3) The Group assessed the loss allowance for amounts due from associates with trade nature on lifetime ECL basis. In determining the ECL, the Group has taken into account the value of the assets held by this entity and the power to participate in the financial and operating policy decision of this entity. There had been no significant increase in credit risk since initial recognition. The Group has considered the consistently low historical default rate in connection with payments and concluded that the ECL on these balances is immaterial.

The Group rebuts the presumption of default under ECL for trade receivables over 90 days past due based on the strong financial position with good repayment records of those customers and continuous business relationship with the Group.

35. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of bank borrowings.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2024, the Group has available unutilised banking facilities of approximately RMB1,880,341,000 (2023: RMB2,550,000) respectively. Details of which are set out in Note 29.

The following table details the Group's remaining contractual maturity for its financial liabilities and derivative instruments. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from current interest rate at the end of the reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments, The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual settlement dates as the management of the Group considers that the settlement dates are essential for an understanding of the timing of the cash flows of derivatives.

35. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Liquidity risk - continued

	Weighted average interest rate	Repayable on demand or less than 1 year	1 to 5 years	Total undiscounted cash flows	Carrying amount at 31 December 2024
	%	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2024					
Non-derivative financial liabilities					
Trade and other payables		369,834	–	369,834	369,834
Fixed-rate bank borrowings	2.39	851,202	–	851,202	831,300
Lease liabilities	4.75	17,737	13,727	31,464	29,443
		1,238,773	13,727	1,252,500	1,230,577

	Weighted average interest rate	Repayable on demand or less than 1 year	1 to 5 years	Total undiscounted cash flows	Carrying amount at 31 December 2023
	%	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2023					
Non-derivative financial liabilities					
Trade and other payables	–	333,968	–	333,968	333,968
Deferred consideration payables	10.00	1,000	–	1,000	1,000
Variable-rate bank borrowings	3.80	705,477	–	705,477	679,650
Fixed-rate bank borrowings	2.65	605,635	–	605,635	590,000
Lease liabilities	4.75	16,736	17,676	34,412	32,087
		1,662,816	17,676	1,680,492	1,636,705
Derivative financial liabilities					
Foreign exchange forward contracts		17,227	–	17,227	17,227

35. FINANCIAL INSTRUMENTS - continued

Fair value measurements of financial instruments

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used) as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities at measurement date;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets/liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs
	31/12/2024	31/12/2023			
1) Foreign exchange forward contracts classified as derivative financial instruments	Nil	Liabilities – RMB17,227,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rate and contracted exchange rate, discounted at a rate that reflects the credit risk of various counterparties	Nil
2) Equity instruments at FVTOCI – listed equity securities	Listed equity securities on the LSE, ENV, NYSE and NASDAQ – RMB20,000	Listed equity securities on the LSE, ENV, NYSE and NASDAQ – RMB38,549,000	Level 1	Quoted bid prices in an active market	Nil

35. FINANCIAL INSTRUMENTS - continued

Fair value measurements of financial instruments - continued

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis - continued

Financial assets/liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs
	31/12/2024	31/12/2023			
3) Equity instruments at FVTOCI – unlisted equity securities	Unlisted equity investments – RMB129,763,000	Unlisted equity investments – RMB125,344,000	Level 3	Market approach by applying market multiples such as the ratio of market capital to net book value from comparable companies	The ratio of market capital to net book value from comparable companies
4) Financial asset at FVTPL – listed equity securities	Listed equity securities on the HKEX – RMB2,474,000	Listed equity securities on the HKEX – RMB2,602,000	Level 1	Quoted bid prices in an active market	Nil
5) Financial assets at FVTPL – capital funds	Assets – RMB926,124,000	Assets – RMB843,190,000	Level 3	Direct comparison - reference to market evidence of recent transaction prices of the underlying investments	Recent transaction prices of underlying investments
6) Financial assets at FVTPL – unlisted equity securities	Assets – RMB981,291,000	Assets – RMB510,536,000	Level 2	Recent Transaction method, quoted bid prices in an inactive market	Nil
7) Financial assets at FVTPL – unlisted equity securities	Assets – RMB250,208,000	Assets – RMB475,930,000	Level 3	Market approach by applying market multiples such as the ratio of market capital to net book value from comparable companies	The ratio of market capital to net book value from comparable companies

35. FINANCIAL INSTRUMENTS - continued

Fair value measurements of financial instruments - continued

(ii) Reconciliation of Level 3 fair value measurements

	Equity instruments at FVTOCI	Financial assets at FVTPL	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2023	233,047	1,045,401	1,278,448
Purchases	—	145,505	145,505
Disposal	—	(20,343)	(20,343)
Transfers into level 3 from level 2	—	131,879	131,879
Total gains			
— in profit	—	16,678	16,678
— in other comprehensive income	(107,703)	—	(107,703)
As at 31 December 2023	125,344	1,319,120	1,444,464
Purchases	—	97,145	97,145
Disposal	—	(6,007)	(6,007)
Transfers into level 2 from level 3	—	(87,740)	(87,740)
Total gains			
— in profit	—	(146,186)	(146,186)
— in other comprehensive income	4,419	—	4,419
As at 31 December 2024	129,763	1,176,332	1,306,095

(iii) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows used in financing activities.

	Bank borrowings	Deferred consideration payables	Dividend payables	Lease liabilities	Obligation rising from put options	Total
	RMB'000 (Note 29)	RMB'000	RMB'000 (Note 13)	RMB'000 (Note 27)	RMB'000	RMB'000
At 1 January 2023	1,783,337	1,909	–	29,295	163,773	1,978,314
Financing cash flows	(553,190)	(1,000)	(1,360,363)	(20,285)	(116,300)	(2,051,138)
Dividends declared	–	–	1,360,363	–	–	1,360,363
Finance costs	42,997	91	–	2,216	947	46,251
Net foreign exchange gain	(3,494)	–	–	–	–	(3,494)
Commencement of new leases	–	–	–	20,861	–	20,861
Repurchase shares from non-controlling interests	–	–	–	–	(48,420)	(48,420)
At 31 December 2023	1,269,650	1,000	–	32,087	–	1,302,737
Financing cash flows	(479,248)	(1,000)	(556,162)	(24,429)	–	(1,060,839)
Dividends declared	–	–	556,162	–	–	556,162
Finance costs	36,398	–	–	2,212	–	38,610
Net foreign exchange loss	4,500	–	–	–	–	4,500
Commencement of new leases	–	–	–	19,573	–	19,573
At 31 December 2024	831,300	–	–	29,443	–	860,743

37. CAPITAL COMMITMENTS

	2024 RMB'000	2023 RMB'000
Capital expenditure in respect of the acquisition of below items contracted for but not provided in the consolidated financial statements		
— financial assets at FVTPL	576,499	669,080
— interests in an associate	34,541	37,466

38. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related financial parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below, in addition to the transactions and balances disclosed elsewhere in the consolidated financial statements.

(a) The Group entered into the following transactions with related parties during the year:

Name of related company	Relationship	Nature of transactions	2024 RMB'000	2023 RMB'000
Tibet Pharmaceutical	Associate	Promotion income	1,395,476	1,618,832
Tibet Pharmaceutical	Associate	Purchase of goods	—	36
ETC	Associate	Purchase of goods	9,337	8,131
ETC	Associate	Promotion income	9,110	13,183
Shenzhen Mediportal Health Medical Internet Limited	Related party	Service fee	6,904	5,173
Shenzhen Mediportal Health Technology Co. Ltd.	Related party	Service fee	1,030	—
A&B (HK) Company Limited	Related party	Royalty expenses	2,699	352

38. RELATED PARTY TRANSACTIONS - continued

(b) On 8 May 2015, A&B entered into agreements with Faron Pharmaceuticals, Ltd ("Faron"), to acquire 15.72% of the shareholding of Faron, assets related to a drug, Traumakine in China (including Hong Kong SAR, Macau SAR and Taiwan) (the "Territory"), intellectual properties related to Traumakine from the Territory and the right to exchange Traumakine information with Faron.

On 19 May 2015, the Group entered into agreements with A&B and/or Faron respectively, to acquire the assets related to Traumakine in the Territory (the "Acquisition of Assets"). On 31 December 2024, the Group entered into a termination agreement with A&B for the acquisition of asset.

The Group has not paid any consideration to A&B in respect of this acquisition as at 31 December 2024 and 2023.

(c) On 14 August 2018, the Group entered into an asset transfer and license agreement with Blueberry Therapeutics Limited ("Blueberry"), which is one of Group's unlisted equity investments under Note 20(b)(iii). According to the terms of such agreement, the Group has acquired all related assets of Blueberry's leading product BB2603 (for the treatment of onychomycosis and tinea pedis) in China (including Hong Kong SAR Macau SAR and Taiwan), Republic of Korea and Mongolia (the "Asia Territory") and the Group further acquired access to all related assets of other pipeline products being or to be developed subsequently by Blueberry utilizing its unique nano formulation delivery system in dermatology and other fields (such as products used for treating atopic dermatitis and acne, etc., together with the product BB2603 as the "Product of BB2603") in the Asia Territory in consideration of (1) an upfront payment of USD600,000 (equivalent to RMB4,090,000), (2) fixed lump sum payments upon the achievement of the pre-determined milestones stipulated in the agreement and (3) a royalty at a fixed rate on the basis of the net sales of Product of BB2603 in Asia Territory. The aforementioned assets include, among others, all the national patents covering the development, commercialization and formulation of the Product of BB2603, national trademarks and necessary regulatory approvals in or for the Asia Territory.

As the milestone as well as the commercialisation of Product of BB2603 has not yet been achieved as at 31 December 2024 and 2023, the Group has only paid the upfront payment of USD600,000 (equivalent to RMB4,090,000) as the consideration for Product of BB2603 during year ended 31 December 2018. Such amount has been included in deposits paid for acquisition of intangible assets (see Note 23) as at 31 December 2024 and 2023. During the year ended 31 December 2023, the amount of RMB4,090,000 was fully impaired.

38. RELATED PARTY TRANSACTIONS - continued

(d) On 20 August 2018, the Group entered into a framework asset transfer agreement with A&B relating to the portable neurostimulation devices (the "Product of PoNS") developed by or for Helius Medical Technologies group ("Helius"), which is one of Group's unlisted equity investments under Note 20(b)(iii). According to the terms of such agreement, the Group has agreed to acquire from A&B all assets related to the Product of PoNS (the "Assets of PoNS") in the Territory (the "Transaction of PoNS"). The Assets were originally purchased by A&B from Helius, in which A&B has equity interest. Both the Group and A&B have not agreed on the definitive terms and conditions of the Transaction, including the consideration for the transfer of the Assets of PoNS under the agreement. On 31 December 2024, the Group entered into a termination agreement with A&B for the Transaction of PoNS. The Group has not paid any consideration to A&B in respect of the Transaction of PoNS as of 31 December 2024 and 2023.

(e) On 20 August 2018, the Group entered into a framework asset transfer agreement with A&B relating to the pharmaceutical preparation, formulation, dosage form, or delivery vehicle, containing or comprising NRL-1 etc. and/or line extensions developed by or for Neurelis, Inc. ("Neurelis") (collectively, the "Product of NRL-1"). Neurelis is one of Group's unlisted equity investments under Note 20(b)(iii). According to terms of such agreement, the Group has agreed to acquire from A&B all assets related to the Product of NRL-1 (the "Assets of NRL-1") in the Territory (the "Transaction of NRL-1"). A&B obtained the Assets of NRL-1 from its related entity which in turn obtained the Assets of NRL-1 from Neurelis. During the year ended 31 December 2023, the Group and A&B had negotiated and agreed on the terms of the Transaction of NRL-1, the Group has agreed to pay A&B a royalty payment of up to US$0.6 per Unit of NRL-1 imported into or sold in the Territories, and the Group has agreed to pay A&B a royalty payment of 9.0% on the net sales of NRL-1 sold by the Group in the Territories. Royalty expenses of RMB2,699,000 was recognised during the year ended 31 December 2024 (2023: RMB352,000).

(f) The key management personnel includes solely the directors of the Company and the compensation paid to them as disclosed in Note 9.

39. RETIREMENT BENEFITS SCHEMES

The employees of the Group's subsidiary in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

The employees employed in Hong Kong are required to join the Mandatory Provident Fund Scheme (the "MPF Scheme"). Contributions to the MPF Scheme are made in accordance with the statutory limits prescribed by the Mandatory Provident Fund Ordinance of Hong Kong.

The employees employed in Macau are required to join the Social Security Fund (the "FSS"). Contributions to FSS are made in accordance with the statutory limits prescribed by the Social Security System of Macau.

The employees employed in Dubai are required to be entitled to gratuity based on the years of services under the labour law of United Arab Emirates Ministry of Human Resources and Emiratisation.

During the year, the total expense recognised in the profit or loss for the above schemes amounted to RMB301,167,000 (2023: RMB280,021,000).

40. EMPLOYEE BENEFIT SCHEME

The 2009 Scheme was adopted by the Board on 31 July 2009 ("Adoption Date"). Unless terminated earlier by the Board, the 2009 Scheme shall be valid and effective for a term of 20 years commencing on the Adoption Date. Pursuant to the rules of the 2009 Scheme, the Company set up a trust through a trustee (the "Trustee"), Fully Profit Management (PTC) Limited, for the purpose of administration the 2009 Scheme. A summary of some of the principal terms of the 2009 Scheme is set out in below.

(a) The purpose of the 2009 Scheme is to recognise the contributions by certain employees who have been actively involved in the business development of the Group and to establish and maintain a superannuation fund for the purpose of providing retiring allowances for certain employees (including without limitation employees who are also directors) of the Group, and to give incentive in order to retain them for the continual operation and development of the Group.

(b) Under the 2009 Scheme, the Board of Directors (the "Board") may, from time to time, at its absolute discretion and subject to such terms and conditions as it may think appropriate select an employee (the "Member") who completed 10 years' services in the Group (subject to consent of the Board if the employee completed 5 years' services in the Group) for participation in the 2009 Scheme for 10 years after retirement (the "Payment Year") (subject to adjustment set out in (d) below).

40. EMPLOYEE BENEFIT SCHEME - continued

(c) The Company will, on a yearly basis, contribute the sum equal to an amount not less than 0.5%, but no more than 3% of its after tax profits shown on the audited consolidated financial statements of the Group, or issue such number of shares of the Company to the Trustee in consideration of payment of such amount as the Board may determine with reference to the aforesaid contribution as against the then market value of the shares of the Company (the "Yearly Contributions"), subject to the Board's approval.

(d) The amount payable to the Members depends on the value of the assets held by the Trustee (the "Fund"). If the value of the Fund is less than the aggregate amount of contributions previously made by the Company, the amount payable to the Members and the Payment Year will be adjusted by a factor derived from the value of the Fund and the aggregate amount of contributions previously made by the Company. The only obligation of the Company is to make the Yearly Contributions to the Fund. As such, the 2009 Scheme is classified as defined contribution scheme.

On 22 December 2016, the Board has resolved to adopt two new employee incentive schemes, with details as follows:

(a) The Bonus Scheme

i. This scheme is for the purpose of providing discretionary cash bonuses to selected employees of the Group to recognise their contribution to the Group.

ii. This scheme is open to the employees employed by the Group, except for the directors of the Company.

(b) The New KEB Scheme

i. The New KEB Scheme will replace the 2009 Scheme and shall comprise terms which are substantially similar to the 2009 Scheme, except for the ratio of contribution, which was determined by the audited consolidated financial performance.

ii. The subsisting rights of all participants under 2009 Scheme will be rolled over to the New KEB Scheme.

40. EMPLOYEE BENEFIT SCHEME - continued

For the purposes of effecting the merger and facilitating the administration of the Bonus Scheme and the New KEB Scheme, the Company has resolved to set up a new trust comprising the Bonus Scheme and KEB Scheme (collectively referred to as the "Master Scheme"). Unless terminated earlier by the Board, the Master Scheme shall be valid and effective until the later of the termination of the Bonus Scheme or the New KEB Scheme. The term of each of the Bonus Scheme and the New KEB Scheme is 20 years subject to the terms of their respective scheme rules. TMF Trust (HK) Limited ("TMF"), a company incorporated in Hong Kong, is appointed as the initial trustee of the new trust (the "New Trustee").

The amount payable to the members of the Bonus Scheme in a financial year depends on a variety of factors, including the value of the assets held by the New Trustee (the "New Fund"), the appreciation in the value of the assets held under the New Fund, the financial performance of the Group and the performances of individual employees during the year. The New Fund is independent from the Company and the change in value of the New Fund has no impact on the Group's financial performance and financial position. The only obligation of the Company is to make the Annual Contributions to the New Fund subject to the terms of the scheme rules of the Bonus Scheme. The Bonus Scheme is classified as a discretionary scheme of the Company. No employee benefit expenses were recognised by the Company and the Group for both years.

During the year ended 31 December 2024, the Company recognised an expense of RMB7,680,000 (2023: RMB5,160,000) on the Master Scheme based on the Group's financial performance, in which such amount was recognised as employee benefit expenses in the consolidated statement of profit or loss and other comprehensive income.

41. DEEMED DISPOSAL OF A SUBSIDIARY

For the year ended 31 December 2023

In February 2023, the Group entered into a shareholder agreement with the other shareholders of Xili Pharmaceutical, which was a subsidiary of the Group at the time, pursuant to which the Articles of Association of Xili Pharmaceutical was amended in which unanimous consent from the board of directors of Xili Pharmaceutical is required for all operating decisions. Accordingly, the directors of the Company concluded that the control over Xili Pharmaceutical was given up on that date. The investment on Xili Pharmaceutical was considered deemed disposed and was accounted for as an investment in a joint venture using the equity method afterward. The net assets of Xili Pharmaceutical at the date of deemed disposal were as follows:

41. DEEMED DISPOSAL OF A SUBSIDIARY - continued

Analysis of assets and liabilities over which control was given up:

	RMB'000
Property, plant and equipment (Note 15)	8,974
Right-of-use assets	9,906
Intangible assets (Note 18)	63,129
Goodwill (Note 19)	118,090
Deferred tax assets (Note 30)	1,199
Inventories	42,122
Trade and other receivables	49,257
Cash and cash equivalents	11,155
Trade and other payables	(43,373)
Tax payable	(357)
Deferred tax liabilities (Note 30)	(16,777)
	243,325

Gain on deemed disposal of a subsidiary:

	RMB'000
Net assets disposed of	(243,325)
Non-controlling interests	23,164
Fair value of equity interest retained in Xili Pharmaceutical at the date of deemed disposal (Note 17(b))	220,161
Gain on deemed disposal	—

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

As at 31 December 2024 and 2023, the details of the Company's principal subsidiaries are set as follows:

Name of subsidiaries	Place of incorporation/ establishment and operation	Issue and fully paid share capital/ registered capital		Equity interest held by the Group				Principal activities
		31 December 2024	31 December 2023	31 December 2024		31 December 2023		
				Directly	Indirectly	Directly	Indirectly	
Kangzhe Hunan (wholly-owned domestic enterprise)	PRC	RMB36,750,000	RMB36,750,000	–	100%	–	100%	Production of medicines
Tibet Kangzhe Enterprise Management Co. Ltd. (wholly-owned domestic enterprise)	PRC	RMB10,000,000	RMB10,000,000	–	100%	–	100%	Investment holding
Shenzhen Kangzhe (wholly foreign-owned enterprise)	PRC	RMB355,000,000	RMB350,000,000	–	100%	–	100%	Marketing, promotion and sale of drugs
Sino Talent	Hong Kong	HK$1	HK$1	–	100%	–	100%	Investment holding
Sky United	Hong Kong	HK$10	HK$10	–	100%	–	100%	Trading of drugs
Kangzhe Pharmaceutical Investment Co., Ltd. (wholly-owned domestic enterprise)	PRC	RMB50,000,000	RMB50,000,000	–	100%	–	100%	Investment holding
Tianjin Kangzhe (wholly foreign-owned enterprise)	PRC	RMB500,000,000	RMB500,000,000	–	100%	–	100%	Marketing, promotion and sale of drugs
Tibet Kangzhe Development (wholly-owned domestic enterprise)	PRC	RMB100,000,000	RMB100,000,000	–	100%	–	100%	Marketing, promotion and sale of drugs
CMS Bridging Limited	Hong Kong	HK$1,000,000,000	HK$1,000,000,000	–	100%	–	100%	Investment holding
CMS Medical Venture Investment (HK) Limited	Hong Kong	HK$2,268,542,500	HK$2,268,542,500	–	100%	–	100%	Investment holding
CMS International Development and Management Limited	Macau	MOP$113,340,100	MOP$113,340,100	–	100%	–	100%	Trading of drugs

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY - continued

Name of subsidiaries	Place of incorporation/ establishment and operation	Issue and fully paid share capital/ registered capital		Equity interest held by the Group				Principal activities
		31 December 2024	31 December 2023	31 December 2024		31 December 2023		
				Directly	Indirectly	Directly	Indirectly	
CMS Pharma DMCC	Dubai	AED104,490,000	AED104,490,000	–	100%	–	100%	Trading of drugs
Shanghai Carnation Medical Technology Co., Ltd (wholly foreign-owned enterprise)	PRC	RMB2,842,105	RMB2,842,105	–	64.81%	–	64.81%	Research and development of medical aesthetics devices
Shanghai Kangzhe Aesthetics Pharmaceutical Co., Ltd (wholly foreign-owned enterprise)	PRC	RMB10,000,000	RMB10,000,000	–	100%	–	100%	Marketing and promotion of drugs
Hainan Kangzhe Aesthetics Technology Co., Ltd (wholly foreign-owned enterprise)	PRC	RMB345,000,000	RMB145,000,000	–	100%	–	100%	Marketing, promotion and sale of drugs
Hainan Kangzhe Venture Capital Co. Ltd (wholly foreign-owned enterprise)	PRC	RMB807,050,000	RMB787,050,000	–	100%	–	100%	Investment holding
CMS Skinhealth Limited (formerly known as CMS Aesthetics Limited)	Hong Kong	HK$1	HK$1	–	100%	–	100%	Trading of drugs
Luqa Business Development Limited	Hong Kong	HK$1	HK$1	–	100%	–	100%	Trading of drugs
Heling Medical (Guangzhou) Company Limited (wholly-owned domestics enterprise)	PRC	RMB3,000,000	RMB3,000,000	–	60%	–	60%	Production of skincare products
Hainan Kangzhe Vision Technology Co., Ltd (wholly foreign-owned enterprise)	PRC	RMB130,000,000	RMB90,000,000	–	100%	–	100%	Marketing, promotion and sale of drugs

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY - continued

Name of subsidiaries	Place of incorporation/ establishment and operation	Issue and fully paid share capital/ registered capital		Equity interest held by the Group				Principal activities
		31 December 2024	31 December 2023	31 December 2024		31 December 2023		
				Directly	Indirectly	Directly	Indirectly	
CMS Visition International Management Limited	Macau	MOP25,000	MOP22,500	–	100%	–	100%	Trading of drugs
CMS Skinhealth International Business Limited	Macau	MOP25,000	MOP22,500	–	100%	–	100%	Trading of drugs

The above table lists the subsidiaries of the Company, in the opinion of the directors of the Company, which principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2024 RMB'000	2023 RMB'000
Non-current asset		
Interests in subsidiaries	3,554,735	4,950,359
Current assets		
Other receivable	3,695	—
Bank balances and cash	14,470	5,754
	18,165	5,754
Current liabilities		
Amount due to a subsidiary	2,958	2,958
Other payables and accruals	20,172	13,122
Bank borrowings	772,000	1,269,650
Derivative financial instruments	—	17,227
	795,130	1,302,957
Net current liabilities	(776,965)	(1,297,203)
Total assets less current liabilities	2,777,770	3,653,156
Capital and reserves		
Share capital (Note 32)	83,564	83,991
Reserves	2,694,206	3,569,165
Total equity	2,777,770	3,653,156

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY - continued

Movement in reserves

	Share premium	Capital reserve	Accumulated profits	Dividend reserve	Treasury stock	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2023	2,105,621	6,960	2,273,661	591,910	–	4,978,152
Loss and total comprehensive expense for the year	–	–	(48,624)	–	–	(48,624)
Dividends paid	–	–	(768,453)	(591,910)	–	(1,360,363)
Dividends proposed	–	–	(191,991)	191,991	–	–
Balance at 31 December 2023	2,105,621	6,960	1,264,593	191,991	–	3,569,165
Repurchase of ordinary shares	–	–	–	–	(237,967)	(237,967)
Cancellation of ordinary shares	(80,020)	–	–	–	80,020	–
Loss and total comprehensive expense for the year	–	–	(80,830)	–	–	(80,830)
Dividends paid	–	–	(364,171)	(191,991)	–	(556,162)
Dividends proposed	–	–	(283,700)	283,700	–	–
Balance at 31 December 2024	2,025,601	6,960	535,892	283,700	(157,947)	2,694,206

APPENDIX B — COMPARISON OF SELECTED CAYMAN ISLANDS CORPORATE LAW PROVISIONS AND SINGAPORE CORPORATE LAW PROVISIONS

COMPARISON OF CAYMAN ISLANDS AND SINGAPORE CORPORATE LAW

The following table sets forth a summary of certain differences between the provisions of the laws of the Cayman Islands applicable to our Company (namely, the Cayman Islands Companies Act (As Revised)) and the laws applicable to Singapore-incorporated companies (namely, the Singapore Companies Act) and their shareholders. The summaries below are not to be regarded as advice on Cayman Islands corporate law or the differences between it and the laws of any jurisdiction, including, without limitation, the Singapore Companies Act. The summaries below do not purport to be a comprehensive description of all of the rights and privileges of shareholders conferred by the Cayman Islands Companies Act as compared to the Singapore Companies Act that may be relevant to shareholders and prospective investors. In addition, shareholders and prospective investors should also note that the laws applicable to Singapore-incorporated companies and Cayman Islands exempted companies may change, whether as a result of proposed legislative reforms to the Singapore Companies Act or the Cayman Islands Companies Act, as the case may be, or otherwise. In addition, the summaries below do not describe the regulations and requirements prescribed by the Listing Manual.

Our Company is incorporated in the Cayman Islands as an exempted company and is therefore subject to the Cayman Islands Companies Act. Our Company's corporate affairs are governed by our Memorandum and Articles of Association and the provisions of applicable Cayman Islands laws, including Cayman Islands common law.

	Cayman Islands Corporate Law	**Singapore Corporate Law**
Power of Directors to Allot and Issue Shares	The Cayman Islands Companies Act has no provisions regulating the power of directors in respect of allotment and issue of shares. The directors would have the power to authorise the allotment and issue of shares if such power is provided in the articles of association of the company.	The power to issue shares in a company is usually vested with the directors of that company, subject to any restrictions in the constitution of that company. However, notwithstanding anything to the contrary in the constitution of a company, prior approval of the company at a general meeting is required to authorise the directors to exercise any power of the company to issue shares, or the share issue is void under the Singapore Companies Act. Such approval may be confined to a particular exercise of that power or may apply to the exercise of that power generally and, once given, will only continue in force until the conclusion of the annual general meeting commencing next after the date on which the approval was given or the expiration of the period within which the next annual general meeting after that date is required by law to be held, whichever is the earlier, provided that such approval has not been previously

	Cayman Islands Corporate Law	Singapore Corporate Law
		revoked or varied by the company in a general meeting.
Power of Directors to Dispose of the Issuer's or any of its Subsidiaries' Assets	The Cayman Islands Companies Act contains no regulations or specific restrictions on the powers of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director, chief executive officer and secretary, in exercising such officer's powers and discharging their duties (including their fiduciary duties), must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.	The Singapore Companies Act provides that the business of a company is to be managed by or under the direction or supervision of the directors. The directors may exercise all the powers of a company except any power that the Singapore Companies Act or the constitution of the company require the company to exercise in general meeting. Under the Singapore Companies Act, prior approval of the company at a general meeting is required before the directors can carry into effect any proposals for disposing of the whole or substantially the whole of the company's undertaking or property notwithstanding anything in the company's constitution.
Giving of Financial Assistance to Purchase the Issuer's or its Holding Company's Shares	There is no statutory restriction under the Cayman Islands Companies Act on the provision of financial assistance by a Cayman Islands exempted company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a Cayman Islands exempted company, subject to its articles of association, may provide financial assistance if the directors of the company act in accordance with their fiduciary duties such as to consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the best interests of the company, that such assistance can properly be given. Such assistance should be on an arm's length basis.	Generally, a public company or a company whose holding company or ultimate holding company is a public company is prohibited from giving any financial assistance to any person directly or indirectly for the purpose of, or in connection with, the acquisition or proposed acquisition of that company's shares or shares in its holding company or ultimate holding company. Financial assistance includes the making of a loan, the giving of a guarantee, the provision of security, the release of an obligation or the release of a debt or otherwise. Certain transactions are specifically provided by the Singapore Companies Act as transactions not to be prohibited. These include, among others: (i) a distribution of a company's assets by way of dividends lawfully made; (ii) a distribution in the course of a company's winding up; (iii) a payment made by a company pursuant to a reduction of capital in accordance with the Singapore Companies Act; (iv) the giving by a company in good faith and in the ordinary course of commercial

	Cayman Islands Corporate Law	Singapore Corporate Law
		dealing of any representation, warranty or indemnity in relation to an offer to the public of, or an invitation to the public to subscribe for or purchase shares in the company; and (v) the entering into by the company, in good faith and in the ordinary course of commercial dealing, of an agreement with a subscriber for shares in the company permitting the subscriber to make payments for the shares by instalments. The Singapore Companies Act further provides that a company can give financial assistance in certain circumstances, including but not limited to: (a) where the amount of financial assistance, together with any other financial assistance given by the company under this exception repayment of which remains outstanding, does not exceed 10.0% of the aggregate of the total paid-up capital and reserves of the company as disclosed in the most recent financial statements of the company and the company receives fair value in connection with the financial assistance; (b) where the financial assistance does not materially prejudice the interests of the company, its shareholders or the company's ability to pay its creditors; and (c) where the company, by special resolution, resolves to give financial assistance for the purpose of, or in connection with, that acquisition, provided that certain conditions and procedures under the Singapore Companies Act are also complied with. Where the company is a subsidiary of a listed corporation or a subsidiary whose ultimate holding company is incorporated in Singapore, the listed corporation or the ultimate holding company, as the case may be, is also required to pass a special resolution to approve the giving of the financial assistance.
Loans to Directors	There is no express provision under the Cayman Islands Companies Act	A company (other than an exempt private company) is prohibited from,

	Cayman Islands Corporate Law	Singapore Corporate Law
	prohibiting the making of loans by a Cayman Islands exempted company to any of its directors, unless otherwise prescribed by the company's memorandum and articles of association.	among others, (a) making a loan or quasi-loan [23] to a director of the company or a director of a related company (a "**relevant director**") (and to the spouse or natural, step or adopted children of any such director); (b) entering into any guarantee or providing any security in connection with a loan or quasi-loan made to a relevant director by any other person; (c) entering into a credit transaction[24] as creditor for the benefit of a relevant director; and (d) entering into any guarantee or providing any security in connection with a credit transaction entered into by any person for the benefit of a relevant director (the "**restricted transactions**"), except in the following circumstances, where a transaction which would otherwise be a restricted transaction is: • (subject to, among others, the approval of the company in a general meeting) made to or for the benefit of a relevant director to meet expenditure incurred or to be incurred for the purposes of the company or for the purpose of enabling him to properly perform his duties as an officer of the company; • (subject to, among others, the approval of the company in a general meeting) made to or for the benefit of a relevant director who is engaged in full-time employment of the company or a related corporation, as the case may be, for the purpose of purchasing or otherwise acquiring a home occupied or to be occupied by that director; however, not more than one (1) such restricted transaction may be outstanding from the director at any one (1) time;

[23] A quasi-loan means a transaction under which one party (the "**creditor**") agrees to pay, or pays otherwise than in pursuance of an agreement, a sum for another (the "**borrower**") or agrees to reimburse, or reimburses otherwise than in pursuance of an agreement, expenditure incurred by another party for the borrower: (i) on terms that the borrower (or a person on his behalf) will reimburse the creditor; or (ii) in circumstances giving rise to a liability on the borrower to reimburse the creditor.

[24] A credit transaction means a transaction under which one party (the "**creditor**"): (i) supplies any goods or disposes of any immovable property under a hire-purchase agreement or a conditional sale agreement; (ii) leases or hires any immovable property or goods in return for periodic payments; or (iii) otherwise disposes of immovable property or supplies goods or services on the understanding that payment (whether in a lump sum or instalments or by way of periodic payments or otherwise) is to be deferred.

	Cayman Islands Corporate Law	Singapore Corporate Law
		• made to or for the benefit of a relevant director who is engaged in full-time employment of the company or a related corporation as the case may be, where the company has at a general meeting approved of a scheme for the making of such transaction to or for the benefit of employees of the company, and the restricted transaction is in accordance with that scheme; and • made to or for the benefit of a relevant director in the ordinary course of business by a company whose ordinary business includes the lending of money or the giving of guarantees in connection with loans, quasi-loans or credit transactions made or entered into by other persons if the activities of that company are regulated by any written law relating to banking, finance companies or insurance or are subject to supervision by the MAS. For these purposes, a related corporation of a company means its holding company, its subsidiary or a subsidiary of its holding company. A company (the "**first mentioned company**") (other than an exempt private company) is also prohibited from, among others, (a) making a loan or quasi-loan to another company, a limited liability partnership or a variable capital company ("**VCC**"); (b) entering into any guarantee or providing any security in connection with a loan or quasi-loan made to another company, a limited liability partnership or a VCC by a person other than the first mentioned company; (c) entering into a credit transaction as creditor for the benefit of another company, a limited liability partnership or a VCC; and (d) entering into any guarantee or providing any security in connection with a credit transaction entered into by any person for the benefit of another company, a limited liability partnership

	Cayman Islands Corporate Law	Singapore Corporate Law
		or a VCC, if the director(s) of the first mentioned company (and the spouse, natural step and adopted children of such director(s)), individually or collectively, have an interest in 20.0% or more of the total voting power in the other company, the limited liability partnership or the VCC, as the case may be, unless there is prior approval by the company in general meeting for the making of, provision for or entering into the loan, quasi-loan, credit transaction, guarantee or security (as the case may be) at which the interested director(s) and his or their family members abstained from voting. This prohibition does not apply to: • anything done by a company where the other company (whether incorporated in Singapore or otherwise) or VCC is its subsidiary, holding company or a subsidiary of its holding company; or • a company whose ordinary business includes the lending of money or the giving of guarantees in connection with loans made by other persons, to anything done by the company in the ordinary course of that business if the activities of that company are regulated by any written law relating to banking, finance companies or insurance or are subject to supervision by the MAS.
Transactions Affecting Share Capital	The Cayman Islands Companies Act contains provisions relating to the reduction of share capital, and the redemption and repurchase of shares and these procedures are also regulated by any prescribed provisions in the company's memorandum and articles of association.	The Singapore Companies Act contains provisions relating to share capital reductions, permitted share buy-backs and redeemable preference shares.
Mergers and Similar Arrangements	The Cayman Islands Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two (2) or more constituent companies and the	The Singapore Companies Act provides that the Singapore courts have the authority, in connection with a scheme for the reconstruction of any company or companies or the amalgamation of any two (2) or more companies, and where under the

	Cayman Islands Corporate Law	Singapore Corporate Law
	vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two (2) or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (i) a special resolution of each constituent company and (ii) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.	scheme the whole or any part of the undertaking or the property of any company concerned in the scheme (the transferor company) is to be transferred to another company (the transferee company), to order the transfer to the transferee company of the whole or any part of the undertaking and of the property or liabilities of the transferor company. Such power only exists in relation to any corporation liable to be wound up under the Singapore Companies Act. The Singapore Companies Act further provides for a voluntary amalgamation process without the need for a court order. Under this voluntary amalgamation process, two (2) or more Singapore incorporated companies may amalgamate and continue as one (1) company, which may be one of the amalgamating companies or a new company, in accordance with the procedures set out in the Singapore Companies Act. As part of these procedures, the board of directors of each of the amalgamating companies must make a solvency statement in relation to both the amalgamating company and the amalgamated company. The Singapore Companies Act also provides for a short form amalgamation procedure for (a) the amalgamation of a Singapore-incorporated company (the amalgamating holding company) with one (1) or more of its wholly-owned subsidiaries (the amalgamating subsidiary company); and (b) two (2) or more wholly-owned Singapore incorporated subsidiary companies of the same corporation. The Singapore Companies Act does not provide for appraisal rights to the shareholders of a company in connection with a merger.
Remuneration	There is no provision in the Cayman Islands Companies Act or under	The Singapore Companies Act provides that a company shall not at any meeting or otherwise provide

	Cayman Islands Corporate Law	Singapore Corporate Law
	Cayman Islands law regulating remuneration for directors.	emoluments or improve emoluments for a director in respect of his office as such unless the provision has been approved by a resolution that is not related to other matters, and any resolution passed in breach of this provision is void. For this purpose, the term "**emoluments**" in relation to a director includes fees and percentages, any sums paid by way of expenses allowance in so far as those sums are charged to income tax in Singapore, any contribution paid in respect of a director under any pension scheme, and any benefits received by him otherwise than in cash in respect of his services as a director.
Disclosure of Interest in Contracts with the Company	There is no provision under Cayman Islands Companies Act relating to directors in a position of conflict of interest. The common law principles under Cayman Islands law that a director must not put himself in a position of conflict between his personal interest and his duty to the company will apply to the directors of a Cayman Islands exempted company.	The Singapore Companies Act provides that, where a director or chief executive officer of a company is in any way, whether directly or indirectly, interested in a transaction or proposed transaction with that company, such a director or chief executive officer must, as soon as practicable after the relevant facts have come to his knowledge, (a) declare the nature of his interest at a meeting of the directors of the company; or (b) send a written notice to the company containing details on the nature, character and extent of his interest in the transaction or proposed transaction with the company. The Singapore Companies Act also provides that every director and chief executive officer of a company who holds any office or possesses any property whereby whether directly or indirectly, any duty or interest might be created in conflict with their duties or interests as director or chief executive officer shall (i) declare at a meeting of the directors of the company the fact and the nature, character and extent of the conflict; or (ii) send a written notice to the company setting out the fact and the nature, character and extent of the conflict. For these purposes, an interest of a member of a director's or chief executive officer's family (this includes

	Cayman Islands Corporate Law	Singapore Corporate Law
		his or her spouse, natural, step or adopted children) is treated as an interest of that director or chief executive officer.
Appointment, Qualification, Retirement, Resignation and Removal of Directors	(a) Number Qualification and Appointment of Directors	
	There must be at least one (1) director of a Cayman Islands exempted company. There is no requirement that any of the directors be ordinarily resident in the Cayman Islands or any requirement of holding company's share(s). The initial director(s) is (are) appointed by the subscriber(s) to the memorandum of association. Thereafter, the addition and/or removal of directors will normally be effected in accordance with the provisions of the company's memorandum and articles of association. The names and addresses of the directors and officers of a company must be entered in a register of directors and officers and kept at the registered office of the company. A copy of the register and notice of any amendments must be filed with the Registrar of Companies in the Cayman Islands. A list of the names of the then–current directors of a Cayman Islands exempted company can be inspected at the offices of the Cayman Islands Registrar of Companies, but the register of directors and officers is not a public document. The Cayman Islands Companies Act does not contain provisions on the retirement age of directors.	Under the Singapore Companies Act, every company must have at least one (1) director who is ordinarily resident in Singapore. Where the company has only one (1) member, that sole director may also be the sole member of the company. No person other than a natural person who has attained the age of 18 and who is otherwise of full legal capacity shall be a director of a company. Every director, who is by the constitution of the company required to hold a specified share qualification and who is not already qualified, must obtain his qualification within two (2) months after his appointment or such shorter period as is fixed by the constitution. In the case of a public company, the appointment of directors at a general meeting must generally be voted on individually. A motion for the appointment of two (2) or more persons as directors by a single resolution shall not be made unless a resolution that it shall be so made has first been agreed to by the meeting without any vote being given against it. A resolution passed in pursuance of a motion made in contravention of this shall be void, whether or not its being so moved was objected to at the time. The Singapore Companies Act does not contain provisions on the age limit of directors.
Appointment, Qualification, Retirement, Resignation	(b) Disqualification of Directors	
	The Cayman Islands Companies Act does not contain provisions on	Under the Singapore Companies Act, a person may not act as a director of, or

	Cayman Islands Corporate Law	Singapore Corporate Law
and Removal of Directors	disqualification of directors. The circumstances under which a person is disqualified from acting as a director will be as provided in the company's memorandum and articles of association.	directly or indirectly take part in or be concerned in the management of, any corporation if he is an undischarged bankrupt unless he has the leave of the Singapore courts or the written permission of the Official Assignee appointed under the Insolvency, Restructuring and Dissolution Act 2018 of Singapore to do so. A person may be disqualified from acting as a director of a company by the Singapore courts for a period not exceeding five (5) years if: (a) he is or has been a director of a company which has at any time gone into liquidation (whether while he was a director or within three years of his ceasing to be a director) and was insolvent at that time; and (b) his conduct as director of that company either taken alone or taken together with his conduct as a director of any other company or companies makes him unfit to be a director of or in any way, whether directly or indirectly, be concerned in, or take part in, the management of a company. A person may, subject to certain exceptions, also be disqualified from acting as a director by the Singapore courts for a period of three (3) years from the date of the making of the winding up order if he is a director of a company which is ordered to be wound up by the Singapore courts on the ground that it is being used for purposes against national security or interest. He could also be disqualified on other grounds, such as conviction of any offence (whether in Singapore or elsewhere) involving fraud or dishonesty which is punishable with imprisonment for three (3) months or more, or any offence under Part 12 of the SFA where the conviction was on or after 1 July 2015 or where he is subject to the imposition of a civil penalty under Section 232 of the SFA on or after 1 July 2015. The Singapore courts may

	Cayman Islands Corporate Law	Singapore Corporate Law
		also make a disqualification order against a person who is convicted in Singapore of any offence in connection with the formation or management of a corporation, any offence under Section 157 or 396B of the Singapore Companies Act or any offence under section 237 or 239 of the Insolvency, Restructuring and Dissolution Act 2018. A director may also be disqualified because of persistent default in relation to delivery of documents to the Registrar of Companies of Singapore. A person could be the subject of a debarment order made against him by the Registrar of Companies of Singapore, if the Registrar of Companies of Singapore is satisfied that a company of which he is a director at the time the order is made is in default of a relevant requirement of the Singapore Companies Act. A person who has a debarment order made against him may not act as director of any company (except in respect of a company of which he was a director immediately before the order was made), and the debarment order applies from the date the order is made and continues in force until the Registrar of Companies of Singapore cancels or suspends the order.
Appointment, Qualification, Retirement, Resignation and Removal of Directors	(c) Resignation of Directors	
	The Cayman Islands Companies Act does not contain provisions on the resignation of directors.	Under the Singapore Companies Act, a director of a company cannot resign or vacate his office unless there is remaining in the company at least one (1) director who is ordinarily resident in Singapore, and any purported resignation or vacation of office in breach of this provision is deemed to be invalid. Subject to the provisions of the Singapore Companies Act, unless the constitution of the company otherwise provides, a director's resignation is

	Cayman Islands Corporate Law	Singapore Corporate Law
		effective by giving written notice to the company, and his resignation is not conditional upon the company's acceptance of such resignation.
Appointment, Qualification, Retirement, Resignation and Removal of Directors	(d) Removal of Directors	
	The Cayman Islands Companies Act does not contain provisions on the removal of directors. The removal of directors will normally be effected in accordance with the provisions of the company's memorandum and articles of association.	A director of a public company may be removed before the expiration of his period of office by an ordinary resolution (which requires special notice to be given in accordance with the provisions of the Singapore Companies Act) of the shareholders, notwithstanding anything in the constitution of that company or in any agreement between that company and the director, but where any director so removed was appointed to represent the interests of any particular class of shareholders or debenture holders, the resolution to remove him shall not take effect until his successor has been appointed. Subject to the provisions of the Singapore Companies Act, the constitution of a company may prescribe the manner in which a director may be removed from office before the expiration of his term of office.
Alteration of Governing Documents	(a) Alteration of Constitution, Memorandum of Association or Articles of Association	
	The Cayman Islands Companies Act provides that a Cayman Islands exempted company may, by special resolution of its shareholders, alter its memorandum of association with respect to any of the objects, powers or other matters specified therein. A copy of the amended memorandum of association (if an amended and restated memorandum of association is adopted) and a copy of the special resolution must be filed with the Registrar of Companies in the Cayman Islands.	Unless otherwise provided in the Singapore Companies Act, a company's constitution may be altered by way of special resolution, except that any entrenching provision in the constitution and any provision contained in the constitution before 1 April 2004 which could not be altered before that date may be removed or altered only if all members of the company agree. For these purposes, the term "**entrenching provision**" means a provision of the constitution of a company to the effect that other

	Cayman Islands Corporate Law	Singapore Corporate Law
		specified provisions of the constitution: (a) may not be altered in the manner provided by the Singapore Companies Act; or (b) may not be so altered except by a resolution passed by a specified majority greater than 75.0%, or where other specified conditions are met. Unless otherwise provided in the Singapore Companies Act, any alteration to the constitution of the company takes effect on and from the date of the special resolution approving such alteration or such later date as is specified in the resolution. Subject to Section 33 of the Singapore Companies Act, a company may by special resolution alter the provisions of its constitution with respect to the objects of the company, if any. Where a company proposes to alter its constitution, with respect to the objects of the company, it shall give 21 days' written notice by post or by electronic communications in accordance with the provisions of Singapore Companies Act, specifying the intention to propose the resolution as a special resolution and to submit it for passing at a meeting of the company to be held on a day specified in the notice. Notwithstanding any other provision of the Singapore Companies Act, a copy of the resolution altering the objects of a company shall not be lodged with the Registrar, among others, before the expiration of 21 days after the passing of the resolution, and a copy of the resolution shall be lodged with the Registrar within 14 days after the expiration of the 21 day period, on compliance with which the alteration, if any, of the objects shall take effect.
Alteration of Governing Documents	(b) Alteration of articles of association	
	The Cayman Islands Companies Act provides that a Cayman Islands exempted company may, by special resolution of its shareholders, but	The same provisions in (a) above apply here.

	Cayman Islands Corporate Law	Singapore Corporate Law
	subject otherwise to the memorandum of association of the company, alter or add to its articles of association. On an amendment of the articles of association, a copy of the special resolution and the amended articles of association (if an amended and restated articles of association is adopted) must be registered with the Registrar of Companies in the Cayman Islands.	
Variation of Rights Attached to Shares	The Cayman Islands Companies Act does not contain provisions determining the action necessary to change the rights of holders of shares. The variation of the rights attached to any class of shares is usually dealt with generally in the company's memorandum and articles of association of a company.	Under the Singapore Companies Act, if a provision is made in the constitution of a company for authorising the variation or abrogation of the rights attached to any class of shares in the company, subject to the consent of any specified proportion of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares, and in pursuance of that provision such rights are at any time varied or abrogated, the holders of not less in aggregate than 5.0% of the total number of the issued shares of that class may apply to the Singapore courts to have the variation or abrogation cancelled in accordance with the Singapore Companies Act. The Singapore courts may, if satisfied, having regard to all the circumstances of the case, that the variation or abrogation would unfairly prejudice the shareholders of the class represented by the applicant, disallow the variation or abrogation, and shall, if not so satisfied, confirm it and this decision shall be final.
Shareholders' Proposals	The Cayman Islands Companies Act provides that, in the absence of any provision in the articles of association as to the persons to summon general meetings, three (3) members shall be competent to summon the same.	Under the Singapore Companies Act, (a) any number of members representing not less than 5.0% of the total voting rights of all the members having at the date of requisition a right to vote at a meeting to which the requisition relates; or (b) not less than 100 members holding shares on which there has been paid up an average

	Cayman Islands Corporate Law	Singapore Corporate Law
		sum, per member, of not less than S$500, may requisition the company to give to members notice of any resolution which may properly be moved and is intended to be moved at the next annual general meeting, and circulate to members any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting. Notwithstanding anything in its constitution, the directors of a company shall, on the requisition of members holding at the date of the deposit of the requisition not less than 10.0% of the total number of paid-up shares (excluding treasury shares) as at the date of the deposit carries the right of voting at general meetings or, in the case of a company not having a share capital, of members representing not less than 10.0% of the total voting rights of all members having at that date a right to vote at general meetings, immediately proceed duly to convene an extraordinary general meeting of the company to be held as soon as practicable but in any case not later than two (2) months after the receipt by the company of the requisition. If the directors do not within 21 days after the date of the deposit of the requisition proceed to convene a meeting, the requisitionists, or any of them representing more than 50.0% of the total voting rights of all of them, may themselves, in the same manner as nearly as possible as that in which meetings are to be convened by directors convene a meeting, but any meeting so convened shall not be held after the expiration of three (3) months from that date. Under the Singapore Companies Act, two (2) or more members holding not less than 10.0% of the total number of issued shares of the company (excluding treasury shares) or, if the company has not a share capital, not

	Cayman Islands Corporate Law	Singapore Corporate Law
		less than 5.0% in number of the members of the company or such lesser number as is provided by the constitution may call a meeting of the company. A meeting of a company or of a class of members, other than a meeting for the passing of a special resolution, shall be called by notice in writing of not less than 14 days or such longer period as is provided in the constitution. Shorter notice can be given if, (i) in the case of an annual general meeting, all the members entitled to attend and vote thereat so agree; or (ii) in the case of any other meeting, a majority in number of the members having a right to attend and vote thereat, being a majority which together holds not less than 95.0% of the total voting rights of all the members having a right to vote at that meeting so agree.
Shareholders' Action by Written Consent	Certain matters are required by the Cayman Islands Companies Act to be decided by special resolution. Where so authorised by the articles of association of a company, special resolutions may be approved in writing by all of the members entitled to vote at a general meeting of the company in one (1) or more instrument each signed by one (1) or more of the members.	Notwithstanding any other provision of the Singapore Companies Act, a private company or an unlisted public company may pass any resolution by written means (save for any resolution to dispense with the holding of annual general meetings or any resolution for which special notice is required) in accordance with the provisions of the Singapore Companies Act. There is no corresponding provision in the Singapore Companies Act which applies to a public listed company, whether listed in Singapore or elsewhere.
Shareholders' Suits and Protection of Minority Shareholders	In addition to following Cayman Islands case law precedents, the Cayman Islands courts would ordinarily be expected to follow English case law precedents (which would be of persuasive effect in the Cayman Islands) which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which	A member or a holder of a debenture of a company may apply to the Singapore courts for an order under Section 216 of the Singapore Companies Act to remedy situations where: • a company's affairs are being conducted or the powers of the company's directors are being exercised in a manner oppressive to, or in disregard of the interests of, one (1) or more of the members,

	Cayman Islands Corporate Law	Singapore Corporate Law
	is ultra vires the company or illegal; (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company; and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority. In the case of a company (not being a bank) having a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint one (1) or more inspectors to examine into the affairs of the company and to report thereon in such manner as the court shall direct. The inspectors shall on the completion of their examination report to the court. Such report is not, unless the court so directs, open to public inspection. A company also may, by special resolution, appoint inspectors for the purpose of examining into the affairs of the company. Inspectors so appointed will have the same powers and perform the same duties as inspectors appointed by the court, except that instead of making their report to the court they will report in such manner and to such persons as the company by resolution of its members directs. A shareholder of a company who has held shares in a company for at least six (6) months may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.	shareholders or holders of debentures of the company, including the applicant; or • a company has done an act, or threatens to do an act, or the members or holders of debentures have passed some resolution, or propose to pass some resolution, which unfairly discriminates against, or is otherwise prejudicial to, one (1) or more of the company's members or holders of debentures, including the applicant. Singapore courts have wide discretion as to the relief they may grant under such application, including, among others: (i) directing or prohibiting any act or cancelling or varying any transaction or resolution; (ii) providing that the company be wound up; or (iii) authorising civil proceedings to be brought in the name of or on behalf of the company by such person or persons and on such terms as the court directs. In addition, a member of a company who is seeking relief for damage done to the company may bring a common law derivative action in certain circumstances against the persons who have done wrong to the company. Further, Section 216A of the Singapore Companies Act prescribes a procedure to bring a statutory derivative action or arbitration in the name and on behalf of a Singapore-incorporated company. The statutory procedure is available to, among others, a member of a company and any other person who, in the discretion of the court, is a proper person to make an application under Section 216A of the Singapore Companies Act.
Winding Up	A Cayman Islands exempted company may be wound up: (a) compulsorily by an order of the Cayman Islands court,	The winding up of a company may be done in the following ways: (a) members' voluntarily winding up;

	Cayman Islands Corporate Law	Singapore Corporate Law
	(b) voluntarily by a special resolution of its members, or voluntarily by an ordinary resolution of its members where the company is unable to pay its debts; or (c) under the supervision of the Cayman Islands court. The Cayman Islands court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the court, or where the company is unable to pay its debts, or where it is, in the opinion of the Cayman Islands court, just and equitable to do so.	(b) creditors' voluntarily winding up; (c) court compulsory winding up; or (d) an order made pursuant to Section 216 of the Singapore Companies Act for the winding up of the company. The type of winding up depends, among others, on whether the company is solvent or insolvent.
Dissolution	On the winding-up of our Company, if the assets available for distribution among our Shareholders shall be more than sufficient to repay the whole of the share capital at the commencement of the winding-up, the excess shall be distributed *pari passu* among our Shareholders in proportion to the amount paid up on the Shares held by them respectively. If our assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that, as nearly as may be, the losses are borne by our Shareholders in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.	A company may be dissolved: (a) through the process of liquidation pursuant to the winding up of the company; (b) in a merger or amalgamation of two (2) companies where the court may order the dissolution of one (1) after its assets and liabilities have been transferred to the other; or (c) when it is struck off the register by the Registrar of Companies of Singapore on the ground that it is a defunct company.

APPENDIX C — SUMMARY OF THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF OUR COMPANY AND CAYMAN ISLANDS CORPORATE LAW

The following are summaries of material provisions of our memorandum and articles of association which are currently effective and will remain effective after this Introduction, insofar as they relate to the material terms of our Shares.

SUMMARY OF OUR MEMORANDUM AND ARTICLES OF ASSOCIATION

1. Memorandum of Association

The Memorandum of Association of the Company was adopted on 24 April 2025 and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Cayman Islands Companies Act or any other law of the Cayman Islands.

Our Memorandum of Association is available on display at the location specified in the section entitled "*General and Statutory Information*" in this Introductory Document under the sub-section headed "*Documents Available for Inspection*".

2. Articles of Association

The Articles of Association of the Company were conditionally adopted on 24 April 2025 and include provisions to the following effect:

2.1 Classes of Shares

The authorised share capital of the Company consists of ordinary shares. The capital of the Company at the date of adoption of the Articles is US$100,000,000 divided into 20,000,000,000 shares of US$0.005 each.

Except as described in paragraphs 2.7 and 2.12 below, there are no restrictions in the Memorandum and Articles of Association or the Cayman Islands Companies Act on the transfer of shares in the Company, or on the rights of any holder of the shares to hold or vote on such shares.

2.2 Directors

(a) *Power to allot and issue Shares*

Subject to the provisions of the Cayman Islands Companies Act and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Cayman Islands Companies Act and to any special rights conferred on any shareholders or attaching to any class of shares, any share may be issued, with the sanction of a special resolution, on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) *Power to dispose of the assets of the Company or any subsidiary*

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Cayman Islands Companies Act expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Cayman Islands Companies Act and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) *Compensation or payment for loss of office*

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) *Loans to Directors*

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) *Financial assistance to purchase Shares*

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) *Disclosure of interest in contracts with the Company or any of its subsidiaries*

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may subsequently be made by the Company. A Director who to his knowledge is in any, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the Directors at which the question of entering into the contract or arrangement is first considered, if he knows his interest then exists, or in any other case at the first meeting of the Directors after he knows that he is or has become so interested.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Hong Kong Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(i) the giving of any security or indemnity either:

(A) to the Director or any of his close associates in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries; or

(B) to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(ii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iii) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:

(A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or

(B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(iv) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(g) *Remuneration*

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an Executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) *Retirement, appointment and removal*

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election at that meeting, but shall not be taken into account in determining the number of Directors and which Directors are to retire by rotation at such meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other Executive Director) before the expiration of his term of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may also by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed.

The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. No person other than a Director retiring at the general meeting shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

(i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong or tendered at a meeting of the Directors;

(ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;

(iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 6 consecutive months, and the Directors resolve that his office be vacated;

(iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;

(vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or

(vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) *Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof, subject to any regulation from time to time made by the Company in general meeting on the Directors' general power of management of the business of the Company.

(j) *Proceedings of the Board*

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world and may determine the quorum necessary for the transaction of business. Questions arising at any meeting of the Directors shall be determined by a majority of votes. In the case of an equality of votes, the chairperson of the meeting shall have a second or casting vote.

Unless required otherwise by the Hong Kong Listing Rules, a resolution in writing signed by each and every one of the Directors (or their respective alternates) shall be as valid and effectual as if it had been passed at a meeting of the Directors duly convened and held. A written notification of confirmation of such resolution in writing given by a Director to the Directors by any means (including in electronic form) shall be deemed to be his signature to such resolution in writing. Such resolution in writing may be contained in one document or in several documents in like form, each signed or approved by one or more of the said Directors.

2.3 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Cayman Islands Companies Act, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of capital

The Company in general meeting may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

(a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Cayman Islands Companies Act;

(c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Cayman Islands Companies Act, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions

as compared with the others as the Company has power to attach to unissued or new shares; and

(d) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or such restrictions which in the absence of any such determination by the Company in general meeting, as the Directors may determine provided always that where the Company issues shares which do not carry voting rights, the words “non-voting” shall appear in the designation of such shares and where the equity capital includes shares with different voting rights, the designation of each class of shares, other than those with the most favourable voting rights, must include the words “restricted voting” or “limited voting”.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Cayman Islands Companies Act.

2.6 Special resolution – majority required

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Cayman Islands Companies Act, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company, and the effective date of the special resolution so adopted shall be the date on which it was signed by the last member to sign.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have the right to speak, and every member present in such manner shall have one vote for each share registered in his name in the register of members of the Company, provided that a member shall not have the right to speak or vote in respect of any particular resolution on which such member is required, under the Hong Kong Listing Rules, to abstain from voting.

Where any member is, under the Hong Kong Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll. A poll shall be taken in such manner (including electronic voting using electronic means, or the use of ballot or voting papers or tickets) and at such time and place, not being more than 30 days from the date of the meeting or adjourned meeting at which the poll was taken, as the chairman of the meeting directs.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company or at any creditors meeting of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorisation, including the right to speak and vote.

2.8 Annual general meetings and extraordinary general meetings

The Company shall hold a general meeting as its annual general meeting for each financial year, to be held within six (6) months after the end of such financial year. The annual general meeting shall be specified as such in the notices calling it and shall be held at such time and place as the Board shall appoint.

The Directors may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any one or more members holding together, as at the date of deposit of the requisition, shares representing not less than one-tenth of the voting rights, on a one vote per share basis, of the Company which carry the right of voting at general meetings of the Company. The written requisition shall be deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, specifying the objects of the meeting and the resolutions to be added to the meeting agenda, and signed by the requisitionist(s). If the Directors do 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 Directors provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to them by the Company.

2.9 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Cayman Islands Companies Act.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company,

or any of them, shall be open to inspection by members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Cayman Islands Companies Act or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

2.10 Auditors

The Company shall at every annual general meeting by ordinary resolution appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The removal of an auditor before the expiration of his period of office shall require the approval of the members by an ordinary resolution in general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed by ordinary resolution.

2.11 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be inclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting and particulars of the resolutions to be considered at the meeting and in the case of special business the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

(a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and

(b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

2.12 Transfer of shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the HKSE and approved by the Directors.

The instrument of transfer shall be executed by or on behalf of the transferor provided that the Directors may dispense with the execution of the instrument of transfer by the transferee in any case which they think fit in their discretion to do so. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may, in their absolute discretion, and without assigning any reason, refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

(a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(b) the instrument of transfer is in respect of only one class of shares;

(c) the instrument of transfer is properly stamped (in circumstances where stamping is required);

(d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;

(e) the shares concerned are free of any lien in favour of the Company; and

(f) a fee of such amount not exceeding the maximum amount as the HKSE may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 14 days' notice being given by notice published on the Company's website and the HKSE website, or, subject to the Hong Kong Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers in compliance with the Hong Kong Listing Rules, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided always that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.13 Power of the Company to purchase its own shares

The Company is empowered by the Cayman Islands Companies Act and the Articles of Association to purchase or otherwise acquire any of its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the HKSE and the Securities and Futures Commission of Hong Kong. Any shares purchased by the Company may be cancelled or held as treasury shares at the discretion of the Directors upon such terms and subject to such conditions as it thinks fit and, if applicable, to the Hong Kong Listing Rules.

2.14 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.15 Dividends and other methods of distribution

Subject to the Cayman Islands Companies Act and the Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. The Directors may agree with any member that dividends which may be declared or become due on his shares in one currency shall be paid or satisfied in another, and may agree the basis of conversion to be applied and how and when the amount to be paid in the other currency shall be calculated and paid and for the Company or any other person to bear any costs involved.

No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them any dividend which may be payable at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve:

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(a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment. In such case, the following provisions shall apply:

    (i) the basis of any such allotment shall be determined by the Directors;

    (ii) the Directors, after determining the basis of allotment, shall give not less than two weeks' notice in writing to the members of the right of election accorded to them and shall send with such notice forms of election and specify the procedure to be followed and the place at which and the latest date and time by which duly completed forms of election must be lodged in order to be effective;

    (iii) the right of election may be exercised in respect of the whole or part of that portion of the dividend in respect of which the right of election has been accorded; and

    (iv) the dividend (or that part of the dividend to be satisfied by the allotment of shares as aforesaid) shall not be payable in cash on shares in respect whereof

the cash election has not been duly exercised (the "non-elected shares") and in satisfaction thereof shares shall be allotted credited as fully paid to the holders of the non-elected shares on the basis of allotment determined as aforesaid and for such purpose the Directors shall capitalise and apply out of any part of the undivided profits of the Company or any part of any of the Company's reserve accounts (including any special account, share premium account and capital redemption reserve (if there be any such reserve)) or profit or loss account or amounts otherwise available for distribution as the Directors may determine, a sum equal to the aggregate nominal amount of the shares to be allotted on such basis and apply the same in paying up in full the appropriate number of shares for allotment and distribution to and amongst the holders of the non-elected shares on such basis;

OR

(b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit. In such case, the following provisions shall apply:

(i) the basis of any such allotment shall be determined by the Directors;

(ii) the Directors, after determining the basis of allotment, shall give not less than two weeks' notice in writing to members of the right of election accorded to them and shall send with such notice forms of election and specify the procedure to be followed and the place at which and the latest date and time by which duly completed forms of election must be lodged in order to be effective;

(iii) the right of election may be exercised in respect of the whole or part of that portion of the dividend in respect of which the right of election has been accorded; and

(iv) the dividend (or that part of the dividend in respect of which a right of election has been accorded) shall not be payable on shares in respect whereof the share election has been duly exercised (the "elected shares") and in lieu thereof shares shall be allotted credited as fully paid to the holders of the elected shares on the basis of allotment determined as aforesaid and for such purpose the Directors shall capitalise and apply out of any part of the undivided profits of the Company's reserve accounts (including any special account, share premium account and capital redemption reserve (if there be any such reserve)) or profit and loss account or amounts otherwise available for distribution as the Directors may determine, a sum equal to the aggregate nominal amount of the shares to be allotted on such basis and apply the same in paying up in full the appropriate number of shares for allotment and distribution to and amongst the holders of the elected shares on such basis.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by

(a) cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct;

(b) transfer to a bank account (of a type approved by the Directors) specified by the member entitled either in writing or as the Directors may otherwise decide; or

(c) by any electronic or other means as the Directors may decide, to an account, or in accordance with the details, specified by the member entitled either in writing or as the Directors may otherwise decide.

Every cheque or warrant, bank transfer or payment by electronic or other means so sent or made shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares payment of any dividend or other distribution shall be made at the risk of the recipient. The Company shall not be responsible for a payment which is lost or delayed. Payment, in accordance with the Articles of Association, of any cheque by the bank upon which it is drawn, or the transfer of funds by any means, or the making of payment by means of a relevant system, shall be a good discharge to the Company.

The Company may cease sending such cheques, warrants or payment orders for dividend by post or through any other method of payment (including bank transfers or other electronic means) if such cheques, warrants or payment orders have been left uncashed or are returned to the Company on two consecutive occasions. However, the Company may exercise its power to cease sending cheques, warrants or payment orders after the first occasion on which such a cheque, warrant or payment is uncashed or returned. Any one of two or more joint holders may give effectual receipts for any dividends, interim and special dividends or bonuses and other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividends or bonuses unclaimed for six years from the date of declaration of such dividend or bonus may be forfeited by the Directors and shall revert to the Company and after such forfeiture no member or other person shall have any right to or claim in respect of such dividends or bonuses.

The Directors may direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors and may appoint any person to sign any requisite instruments of transfer and other documents on behalf of the persons entitled to the dividend and such appointment shall be effective.

2.16 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form that complies with the Hong Kong Listing Rules as the Directors may from time to time approve provided that it shall enable a member, according to his intention, to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument appointing a proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing or, if the Board in its absolute discretion determines, may be delivered by electronic means, and: if (i) in writing but not delivered by

electronic means, under the hand of the appointor or of his attorney authorised in writing, or if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person duly authorised to sign the same; or (ii) in the case of an appointment delivered by electronic means, submitted by or on behalf of the appointer, subject to such terms and conditions and authenticated in such manner as the Board may in its absolute discretion determine.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be (i) delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith), or (ii) if the Company has provided an electronic address or an electronic platform for the purpose of receiving such instruments and the aforesaid authorities and documents for that meeting, sent to the electronic address or via the electronic platform so specified by the Company subject to any conditions or limitations imposed by the Company, in each case not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid provided always that the chairman of the meeting may at his discretion direct that an instrument of proxy shall be deemed to have been duly deposited. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.17 Calls on shares and forfeiture of shares

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other monies due in respect thereof.

If the sum or any instalment payable in respect of any call is unpaid on or before the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place

appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of on such terms and in such manner as the Directors think fit and at any time before a re-allotment, sale or disposition the forfeiture may be cancelled by the Directors on such terms as they think fit.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any deduction or allowance for the value of the shares forfeited, at the date of forfeiture.

2.18 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 14 days' notice being given by notice published on the Company's website and the HKSE's website, or, subject to the Hong Kong Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Company in general meeting may impose) be open to inspection by any member of the Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Hong Kong Listing Rules, or such lesser sum as the Company may determine for each inspection.

2.19 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairperson which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.20 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.21 Procedure on liquidation

Subject to the Cayman Islands Companies Act, the Company may by special resolution resolve that the Company be wound up voluntarily.

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Cayman Islands Companies Act, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Cayman Islands Companies Act, shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.22 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Hong Kong Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months (or such shorter period as may be allowed by the HKSE) has elapsed since such advertisement and the HKSE has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS CORPORATE LAW AND TAXATION

1. INTRODUCTION

The Cayman Islands Companies Act is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Cayman Islands Companies Act and the current Companies Act of England. Set out below is a summary of certain provisions of the Cayman Islands Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2. INCORPORATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 18 December 2006 under the Cayman Islands Companies Act. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

3. SHARE CAPITAL

The Cayman Islands Companies Act permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Cayman Islands Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account". At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Cayman Islands Companies Act provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Islands Companies Act);

(d) writing-off the preliminary expenses of the company;

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

(f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Cayman Islands Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Cayman Islands Companies Act, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4. DIVIDENDS AND DISTRIBUTIONS

With the exception of section 34 of the Cayman Islands Companies Act, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Cayman Islands Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5. SHAREHOLDERS' SUITS

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6. PROTECTION OF MINORITIES

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7. DISPOSAL OF ASSETS

The Cayman Islands Companies Act contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8. ACCOUNTING AND AUDITING REQUIREMENTS

The Cayman Islands Companies Act requires that a company shall cause to be kept proper books of account with respect to:

(a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

(b) all sales and purchases of goods by the company; and

(c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9. REGISTER OF MEMBERS

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Cayman Islands Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10. INSPECTION OF BOOKS AND RECORDS

Members of a company will have no general right under the Cayman Islands Companies Act to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11. SPECIAL RESOLUTIONS

The Cayman Islands Companies Act provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12. SUBSIDIARY OWNING SHARES IN PARENT

The Cayman Islands Companies Act does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13. MERGERS AND CONSOLIDATIONS

The Cayman Islands Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these

purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14. RECONSTRUCTIONS

There are statutory provisions which facilitate reconstructions and amalgamations approved by (a) 75% in value of shareholders or class of shareholders, as the case may be, or (b) a majority in number representing 75% in value of creditors or class of creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15. TAKE-OVERS

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than 90% in value of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16. INDEMNIFICATION

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17. LIQUIDATION

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18. STAMP DUTY ON TRANSFERS

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19. TAXATION

Pursuant to section 6 of the Cayman Islands Tax Concessions Act, the Company has obtained an undertaking from the Governor in Cabinet of the Cayman Islands:

(a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to our Company or its operations; and

(b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:

  (i) on or in respect of the shares, debentures or other obligations of our Company; or

  (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Cayman Islands Tax Concessions Act (As Revised).

The undertaking is for a period of twenty years from 2 January 2007.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

Payments of dividends and capital in respect of our Shares will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of a dividend or capital to any holder of our Shares, nor will gains derived from the disposal of our Shares be subject to Cayman Islands income or corporation tax.

20. EXCHANGE CONTROL

There are no exchange control regulations or currency restrictions in the Cayman Islands.

APPENDIX D – LIST OF PAST AND PRESENT DIRECTORSHIPS

For FY2022, FY2023 and FY2024, and the period between 1 January 2025 to the Latest Practicable Date, none of our Directors has any interest in companies which are in, or are likely to be in, competition with our Group. The past and present principal directorships in the Principal Subsidiaries and publicly listed companies held by our Directors and Executive Officers in the last five (5) years preceding the date of this Introductory Document (excluding those held in our Company) are as follows:

DIRECTORS

	Present Directorships	Past Directorships
Mr. Lam Kong (林刚)	*Principal Subsidiaries*	*Principal Subsidiaries*
	SINO TALENT LIMITED	NIL
	CMS MEDICAL VENTURE INVESTMENT (HK) LIMITED	
	CMS BRIDGING LIMITED	
	DERMAVON LIMITED (formerly known as CMS SKINHEALTH LIMITED)	
	Other publicly listed companies	*Other publicly listed companies*
	NIL	NIL
Ms. Chen Yanling (陈燕玲)	*Principal Subsidiaries*	*Principal Subsidiaries*
	SINO TALENT LIMITED	DERMAVON LIMITED (formerly known as CMS SKINHEALTH LIMITED)
	SKY UNITED TRADING LIMITED	TIANJIN KANGZHE VISION PHARMACEUTICAL TECHNOLOGY DEVELOPMENT CO., LTD. (天津康哲维盛医药科技发展有限公司)
		SHENZHEN KANGZHE PHARMACEUTICAL CO., LTD. (深圳市康哲药业有限公司)
		KANGZHE (HUNAN) MEDICAL CO., LTD. (康哲（湖南）制药有限公司)

	Other publicly listed companies	*Other publicly listed companies*
	NIL	NIL
Mr. Chen Hongbing (陈洪兵)	*Principal Subsidiaries*	*Principal Subsidiaries*
	NIL	SHENZHEN KANGZHE PHARMACEUTICAL CO., LTD. (深圳市康哲药业有限公司) KANGZHE PHARMACEUTICAL INVESTMENT CO., LTD. (康哲医药投资有限公司) DERMAVON LIMITED (formerly known as CMS SKINHEALTH LIMITED) SINO TALENT LIMITED SKY UNITED TRADING LIMITED CMS INTERNATIONAL DEVELOPMENT AND MANAGEMENT LIMITED
	Other publicly listed companies	*Other publicly listed companies*
	NIL	NIL
Mr. Leung Chong Shun (梁创顺)	*Principal Subsidiaries*	*Principal Subsidiaries*
	NIL	NIL
	Other publicly listed companies	*Other publicly listed companies*
	MIN XIN HOLDINGS LIMITED	CHINA COAL ENERGY CO., LTD. (中国中煤能源股份有限公司) SSY GROUP LIMITED
Ms. Luo Laura Ying (罗莹)	*Principal Subsidiaries*	*Principal Subsidiaries*
	NIL	NIL
	Other publicly listed companies	*Other publicly listed companies*

	TIANJIN PORT DEVELOPMENT HOLDINGS LIMITED (天津港發展控股有限公司)	NIL
	CENTRAL CHINA NEW LIFE LIMITED (建業新生活有限公司)	
Mr. Fung Ching Simon (冯征)	*Principal Subsidiaries*	*Principal Subsidiaries*
	NIL	NIL
	Other publicly listed companies	*Other publicly listed companies*
	BAOYE GROUP COMPANY LIMITED (宝业集团股份有限公司)	CHINA LOGISTICS PROPERTY HOLDINGS CO., LTD (中国物流资产控股有限公司)(1)
	HAINAN MEILAN INTERNATIONAL AIRPORT COMPANY LIMITED (海南美兰国际空港股份有限公司)	

Note:

(1) China Logistics Property Holdings Co., Ltd was formerly a publicly listed company on the HKSE until it was delisted on 15 July 2022 and is currently a private company.

EXECUTIVE OFFICERS

	Present Directorships	Past Directorships
Mr. Ma Lieyi (马列一)	*Principal Subsidiaries*	*Principal Subsidiaries*
	KANGZHE PHARMACEUTICAL INVESTMENT CO., LTD. (康哲医药投资有限公司)	KANGZHE (HUNAN) MEDICAL CO., LTD. (康哲（湖南）制药有限公司)
	TIBET KANGZHE ENTERPRISE MANAGEMENT CO., LTD. (西藏康哲企业管理有限公司)	
	CMS INTERNATIONAL DEVELOPMENT AND MANAGEMENT LIMITED	
	TIANJIN KANGZHE VISION PHARMACEUTICAL TECHNOLOGY DEVELOPMENT CO., LTD. (天津康哲维盛医药科技发展有限公司)	
	Other publicly listed companies	*Other publicly listed companies*
	TIBET RHODIOLA PHARMACEUTICAL HOLDING CO. (西藏诺迪康药业股份有限公司)	NIL
Mr. Jiang Qingfu (蒋庆富)	*Principal Subsidiaries*	*Principal Subsidiaries*
	SHENZHEN KANGZHE PHARMACEUTICAL CO., LTD. (深圳市康哲药业有限公司)	TIBET KANGZHE ENTERPRISE MANAGEMENT CO., LTD. (西藏康哲企业管理有限公司)
	TIBET KANGZHE PHARMACEUTICAL DEVELOPMENT CO., LTD. (西藏康哲药业发展有限公司)	
	Other publicly listed companies	*Other publicly listed companies*
	NIL	NIL
Ms. Li Yufang (李玉芳)	*Principal Subsidiaries*	*Principal Subsidiaries*
	KANGZHE PHARMACEUTICAL INVESTMENT CO., LTD. (康哲医药投资有限公司)	NIL

	SHENZHEN KANGZHE PHARMACEUTICAL CO., LTD. (深圳市康哲药业有限公司)	
	TIBET KANGZHE ENTERPRISE MANAGEMENT CO., LTD. (西藏康哲企业管理有限公司)	
	KANGZHE (HUNAN) MEDICAL CO., LTD. (康哲（湖南）制药有限公司)	
	Other publicly listed companies	*Other publicly listed companies*
	TIBET RHODIOLA PHARMACEUTICAL HOLDING CO. (西藏诺迪康药业股份有限公司)	NIL
Mr. Fan Jie (樊杰)	*Principal Subsidiaries*	*Principal Subsidiaries*
	NIL	NIL
	Other publicly listed companies	*Other publicly listed companies*
	NIL	MEDSCI HEALTHCARE HOLDINGS LIMITED
Mr. Cai Ping (蔡平)	*Principal Subsidiaries*	*Principal Subsidiaries*
	NIL	NIL
	Other publicly listed companies	*Other publicly listed companies*
	NIL	NIL
Mr. Huang Anjun (黄安军)	*Principal Subsidiaries*	*Principal Subsidiaries*
	HELING MEDICAL (GUANGZHOU) COMPANY LIMITED (禾零医药（广州）有限公司)	SHANGHAI CARNATION MEDICAL TECHNOLOGY CO., LTD. (上海康乃馨医疗科技有限公司)
	HAINAN DERMAVON PHARMACEUTICAL TECHNOLOGY CO., LTD. (formerly known as HAINAN KANGZHE SKINHEALTH TECHNOLOGY CO., LTD.) (海南德镁医药科技有限责任公司，前称为海南康哲美丽科技有限公司)	RXILIENT MEDICAL (HONG KONG) LIMITED (formerly known as LUQA BUSINESS DEVELOPMENT LIMITED)
	SHANGHAI DERMAVON PHARMACEUTICAL CO., LTD. (formerly known as SHANGHAI KANGZHE SKINHEALTH PHARMACEUTICAL CO., LTD.) (上海德镁馨医药有限责任公司，前称为上海康哲美丽医药有限责任公司)	

	DERMAVON INTERNATIONAL BUSINESS LIMITED (formerly known as CMS SKINHEALTH INTERNATIONAL BUSINESS LIMITED) DERMAVON LIMITED (formerly known as CMS SKINHEALTH LIMITED)	
	Other publicly listed companies	*Other publicly listed companies*
	NIL	NIL
Dr. Peng Huai Zheng (彭怀政)	*Principal Subsidiaries*	*Principal Subsidiaries*
	CMS MEDICAL VENTURE INVESTMENT (HK) LIMITED CMS BRIDGING LIMITED	NIL
	Other publicly listed companies	*Other publicly listed companies*
	NIL	NIL
Dr. Jiang Fei (姜非)	*Principal Subsidiaries*	*Principal Subsidiaries*
	HAINAN KANGZHE VENTURE CAPITAL CO., LTD. (海南省康哲创业投资有限公司)	NIL
	Other publicly listed companies	*Other publicly listed companies*
	NIL	NIL
Mr. James Stearns	*Principal Subsidiaries*	*Principal Subsidiaries*
	NIL	NIL
	Other publicly listed companies	*Other publicly listed companies*
	DESTINY PHARMA PLC	NIL
	Principal Subsidiaries	*Principal Subsidiaries*

Ms. Wang Linlang (王琳琅)	CMS VISION INTERNATIONAL MANAGEMENT LIMITED	NIL
	HAINAN KANGZHE VISION TECHNOLOGY CO., LTD. (海南康哲维盛科技有限公司)	
	TIANJIN KANGZHE VISION PHARMACEUTICAL TECHNOLOGY DEVELOPMENT CO., LTD. (天津康哲维盛医药科技发展有限公司)	
	Other publicly listed companies	*Other publicly listed companies*
	NIL	NIL
Ms. Wu Sanyan (吴三燕)	*Principal Subsidiaries*	*Principal Subsidiaries*
	KANGZHE PHARMACEUTICAL INVESTMENT CO., LTD. (康哲医药投资有限公司)	NIL
	SHENZHEN KANGZHE PHARMACEUTICAL CO., LTD. (深圳市康哲药业有限公司)	
	TIBET KANGZHE ENTERPRISE MANAGEMENT CO., LTD. (西藏康哲企业管理有限公司)	
	KANGZHE (HUNAN) MEDICAL CO., LTD. (康哲（湖南）制药有限公司)	
	Other publicly listed companies	*Other publicly listed companies*
	TIBET RHODIOLA PHARMACEUTICAL HOLDING CO. (西藏诺迪康药业股份有限公司)[(1)]	NIL

Note:

(1) Ms. Wu Sanyan is nominated by our Company to be appointed as a director of Tibet Rhodiola Pharmaceutical as our Company is a key shareholder of Tibet Rhodiola Pharmaceutical. Apart from her directorship, Ms. Wu Sanyan does not hold any other interests (ownership, financial, or otherwise) in Tibet Rhodiola Pharmaceutical.

APPENDIX E – LIST OF INTELLECTUAL PROPERTIES

The following table sets out information on the key trademarks/patents registered under the names of our Company and our subsidiaries as of the Latest Practicable Date.

Trademark/Patents	Territories Covered	Registered Owner	Registration No.	Class(es)	Expiry Date
Preparation method of digitonin-containing eye drops 一种含有洋地黄苷的滴眼液的制备方	PRC	Tianjin Kangzhe	ZL202310071088.5	Invention	6 February 2043
Preparation method of bromocriptine mesylate 甲磺酸溴隐亭的制备	PRC	Tianjin Kangzhe	ZL202011409384.4	Invention	5 December 2040
An Ambroxol Hydrochloride Injection 一种盐酸氨溴索注射剂	PRC	Tianjin Kangzhe	ZL200710059969.6	Invention	21 October 2027
A Preparation Method of Tanshinone Extract and Water-Soluble Substance Thereof 一种丹参酮提取物及其水溶物的制备方法	PRC	Tianjin Kangzhe[25]	ZL201210549910.6	Invention	16 December 2032
Novel Biologically Active Peptides and Their New Uses 新型生物活性肽及其新用途	PRC	Tianjin Kangzhe	ZL200680027046.6	Invention	20 July 2026
Preparation of medicinal protolysate 药用水解蛋白的制备方法	PRC	Hunan Medical	ZL200810073572.7	Invention	7 May 2028
Preparation of animal protolysate 动物水解蛋白的制备方法	PRC	Hunan Medical	ZL200810073573.1	Invention	7 May 2028
Aspergillus oryzae pancreatin bare tablet two-layer aluminium sheet packaging device 一种米曲菌胰酶片裸片两层铝片包装装置	PRC	Hunan Medical	ZL202121152251.3	Utility Model	26 May 2031
Detection device used before the packaging of bare Aspergillus oryzae pancreatin tablets 一种米曲菌胰酶片裸片包装前的检测装置	PRC	Hunan Medical	ZL202121152480.5	Utility Model	26 May 2031
Novel blanking device for packaging bare Aspergillus oryzae pancreatin tablets 一种米曲菌胰酶片裸片包装用新型下料装置	PRC	Hunan Medical	ZL202121152130.9	Utility Model	26 May 2031

[25] Certain patents in this set of patents are jointly owned, with Tianjing Kangzhe and Yan Xiaowen as a co-owners of the fourth patent.

Trademark/Patents	Territories Covered	Registered Owner	Registration No.	Class(es)	Expiry Date
Dehumidification structure of hydrolysed protein production workshop 一种水解蛋白生产车间除湿结构	PRC	Hunan Medical	ZL202121030176.3	Utility Model	13 May 2031
Volatile oil recovery device 一种挥发油回收装置	PRC	Hunan Medical	ZL201821212373.5	Utility Model	29 July 2028
An Automatic Feeding System for Extraction Tanks 一种提取罐自动投料系统	PRC	Hunan Medical	ZL201821214860.5	Utility Model	29 July 2028
Medicinal material powder conveying device 一种药材粉末传输装置	PRC	Hunan Medical	ZL201821212393.2	Utility Model	29 July 2028
Portable alcohol precipitation tank filter equipment 一种移动式醇沉罐过滤装置	PRC	Hunan Medical	ZL201821212265.8	Utility Model	29 July 2028
Feeding and discharging structure of settling tank unit 一种沉降罐机组进出料结构	PRC	Hunan Medical	ZL202121014280.3	Utility Model	12 May 2031
Novel settling tank for producing hydrolysed protein 一种水解蛋白生产用新型沉降罐	PRC	Hunan Medical	ZL202120996937.4	Utility Model	10 May 2031
Raw material meat unfreezing device for preparing hydrolysed protein 一种水解蛋白制备用原料肉类解冻装置	PRC	Hunan Medical	ZL202120991596.1	Utility Model	10 May 2031
Auxiliary cleaning equipment for hydrolysis tank 一种水解罐辅助清洗设备	PRC	Hunan Medical	ZL202121022499.8	Utility Model	12 May 2031
Substituted pyridine-2,4-dione derivatives 取代的吡啶－2，4 一二酮类衍生物	Taiwan (China)	CMS Research & Development Pte. Ltd. (formerly Soter Biopharma Pte. Ltd.)	I823274	Invention	24 February 2042
Substituted pyridine-2,4-dione derivatives 取代的吡啶－2，4 一二酮类衍生物	Japan	CMS Research & Development Pte. Ltd. (formerly Soter Biopharma Pte. Ltd.)	2023552332	Invention	24 February 2042
Substituted pyridine-2,4-dione derivatives	Australia	CMS Research & Development Pte. Ltd.	2022227712	Invention	24 February 2042

Trademark/Patents	Territories Covered	Registered Owner	Registration No.	Class(es)	Expiry Date
取代的吡啶－2，4 一二酮类衍生物		(formerly Soter Biopharma Pte. Ltd.)			
Fused pyrazole ring compound, and the application thereof 吡唑并环化合物及其应用	Taiwan (China)	CMS Research & Development Pte. Ltd. (formerly Soter Biopharma Pte. Ltd.)	I839945	Invention	8 November 2042
Crystal form of 7-azaspiro[4,5]decane-6,10-dione compound, and the preparation method thereof 7-氮杂螺[4,5]癸烷-6,10-二酮类化合物的晶型及其制备方法	Taiwan (China)	CMS Research & Development Pte. Ltd. (formerly Soter Biopharma Pte. Ltd.)	I831590	Invention	29 January 2043
Fused polycyclic substituted 5-carboxylic acid thienopyrimidine dione compound, and the use thereof 多并环取代的 5-羧酸噻吩并嘧啶二酮类化合物及其应用	Taiwan (China)	CMS Research & Development Pte. Ltd. (formerly Soter Biopharma Pte. Ltd.)	I791388	Invention	20 February 2042
Thienopyrimidinedione compounds, and the application thereof 噻吩并嘧啶二酮类化合物及其应用	Taiwan (China)	CMS Research & Development Pte. Ltd. (formerly Soter Biopharma Pte. Ltd.)	I796144	Invention	20 February 2042
Fused polycyclic substituted 5-carboxylic acid thienopyrimidine dione compound and use thereof 稠合多环取代 5-羧酸噻吩并嘧啶二酮化合物及其用途	Australia	CMS Research & Development Pte. Ltd. (formerly Soter Biopharma Pte. Ltd.)	2022227642	Invention	20 February 2042
Novel uses (XF-73) 新用途 (XF-73)	South Korea	CMS Research & Development Pte. Ltd. (formerly Soter Biopharma Pte. Ltd.)	1749659	Invention	23 October 2029
	PRC	Shenzhen Kangzhe	12413231	35	20 September 2034
	PRC	Shenzhen Kangzhe	12413232	35	20 September 2034

Trademark/Patents	Territories Covered	Registered Owner	Registration No.	Class(es)	Expiry Date
	PRC	Shenzhen Kangzhe	12895713	30	27 November 2034
	PRC	Shenzhen Kangzhe	12895621	29	6 April 2035
	PRC	Shenzhen Kangzhe	1091826	42	27 August 2027
	PRC	Shenzhen Kangzhe	1049816	37	6 July 2027
	PRC	Shenzhen Kangzhe	1998436	10	6 December 2032
	PRC	Shenzhen Kangzhe	1495740	42	20 December 2030
	PRC	Shenzhen Kangzhe	1202277	5	27 August 2028
	PRC	Shenzhen Kangzhe	22473312	43	6 April 2028
	PRC	Shenzhen Kangzhe	22473140	32	6 February 2028
	PRC	Shenzhen Kangzhe	22472700	29	6 April 2028
	PRC	Shenzhen Kangzhe	22472913	30	6 February 2028

Trademark/Patents	Territories Covered	Registered Owner	Registration No.	Class(es)	Expiry Date
CMS	PRC	Shenzhen Kangzhe	22473133	40	6 April 2028
康哲	PRC	Shenzhen Kangzhe	3690084	5	27 December 2035
康哲	PRC	Shenzhen Kangzhe	3690080	36	6 January 2026
康哲	PRC	Shenzhen Kangzhe	3690081	35	13 August 2035
康哲	PRC	Shenzhen Kangzhe	3690078	41	6 September 2035
康哲	PRC	Shenzhen Kangzhe	3690079	40	13 August 2035
康哲	PRC	Shenzhen Kangzhe	3690082	10	20 April 2035
康哲	PRC	Shenzhen Kangzhe	3690077	42	13 January 2026
康哲	PRC	Shenzhen Kangzhe	3690075	44	13 October 2035
康哲	PRC	Shenzhen Kangzhe	3690083	9	20 April 2035
康　哲	PRC	Shenzhen Kangzhe	3570103	29	6 December 2034

Trademark/Patents	Territories Covered	Registered Owner	Registration No.	Class(es)	Expiry Date
康哲	PRC	Shenzhen Kangzhe	12895173	29	27 November 2034
康哲	PRC	Shenzhen Kangzhe	12895302	30	6 December 2034
康哲	PRC	Shenzhen Kangzhe	12895386	31	27 November 2034
康哲	PRC	Shenzhen Kangzhe	22474411	37	6 February 2028
康哲	PRC	Shenzhen Kangzhe	22473967	29	6 February 2028
康哲	PRC	Shenzhen Kangzhe	22474402	44	13 April 2028
康哲	PRC	Shenzhen Kangzhe	22474118	31	6 February 2028
康哲	PRC	Shenzhen Kangzhe	22474400	43	6 February 2028
康哲	PRC	Shenzhen Kangzhe	22474319	32	13 April 2028
康哲	PRC	Shenzhen Kangzhe	22473738	7	6 February 2028
康哲	PRC	Shenzhen Kangzhe	22473955	30	13 April 2028

Trademark/Patents	Territories Covered	Registered Owner	Registration No.	Class(es)	Expiry Date
康哲	PRC	Shenzhen Kangzhe	22473544	1	6 February 2028
康哲农业	PRC	Shenzhen Kangzhe	22471188	7	6 February 2028
康哲农业	PRC	Shenzhen Kangzhe	22472199	43	6 February 2028
康哲农业	PRC	Shenzhen Kangzhe	22472057	44	6 February 2028
康哲农业	PRC	Shenzhen Kangzhe	22471366	29	6 February 2028
康哲农业	PRC	Shenzhen Kangzhe	22471768	32	6 April 2028
康哲农业	PRC	Shenzhen Kangzhe	22471979	40	6 February 2028
康哲农业	PRC	Shenzhen Kangzhe	22471371	30	6 April 2028
康哲农业	PRC	Shenzhen Kangzhe	22471766	31	6 February 2028
康哲农业	PRC	Shenzhen Kangzhe	22471089	1	6 February 2028
CMS HEALTH	PRC	Shenzhen Kangzhe	52783694	5	27 December 2031

Trademark/Patents	Territories Covered	Registered Owner	Registration No.	Class(es)	Expiry Date
CMS HEALTH	PRC	Shenzhen Kangzhe	52792050	44	27 December 2031
CMS HEALTH	PRC	Shenzhen Kangzhe	52768055	35	27 March 2033
CMS HEALTH	PRC	Shenzhen Kangzhe	52790905	30	27 December 2031
CMS HEALTH	PRC	Shenzhen Kangzhe	52760130	3	6 September 2032
CMS AESTHETICS	PRC	Shenzhen Kangzhe	54532440	44	13 January 2032
维图可	PRC	Shenzhen Kangzhe	34613492	5	6 August 2029
莱芙兰	PRC	Shenzhen Kangzhe	50655069	5	6 July 2031
慷彼申	PRC	Shenzhen Kangzhe	3085502	5	13 April 2033
復方康彼身	PRC	Shenzhen Kangzhe	1244211	5	6 February 2029
喜达康	PRC	Shenzhen Kangzhe	3134098	5	13 February 2034

Trademark/Patents	Territories Covered	Registered Owner	Registration No.	Class(es)	Expiry Date
默維可	PRC	Shenzhen Kangzhe	1234259	5	27 December 2028
溴隱亭	PRC	Shenzhen Kangzhe	232909	5	14 September 2035
沾典	PRC	Shenzhen Kangzhe	58605642	5	20 February 2032
倍坦平	PRC	Tibet Kangzhe Pharmaceutical	73519365	5	20 February 2034
伊诺舒	PRC	Tianjin Kangzhe	3777154	5	13 March 2026
慧消	PRC	Tianjin Kangzhe	5094255	5	20 May 2029
	PRC	Dermavon Pharmaceutical Technology	54531899	3	20 October 2031
	PRC	Dermavon Pharmaceutical Technology	53664922	5	27 September 2031
百卢妥	PRC	Dermavon Pharmaceutical Technology	75222274	5	6 May 2034
Lumirix	PRC	Dermavon Pharmaceutical Technology	76286776	5	6 July 2034
Lumirix	PRC	Dermavon Pharmaceutical Technology	76581627	35	20 July 2034
喜辽妥	PRC	Dermavon Pharmaceutical Technology	68456314	5	6 July 2034
喜辽妥	PRC	Dermavon Pharmaceutical Technology	68456941	3	13 January 2034
喜辽妥	PRC	Dermavon Pharmaceutical Technology	68470145	35	6 May 2034

Trademark/Patents	Territories Covered	Registered Owner	Registration No.	Class(es)	Expiry Date
康哲维盛	PRC	Hainan Kangzhe Vision	73519094	44	13 February 2034
康哲维盛	PRC	Hainan Kangzhe Vision	73516379	35	13 February 2034
康哲维盛	PRC	Hainan Kangzhe Vision	73512484	10	13 February 2034
康哲维盛	PRC	Hainan Kangzhe Vision	73510375	42	13 February 2034
康哲维盛	PRC	Hainan Kangzhe Vision	73505209	41	13 February 2034
康哲维盛	PRC	Hainan Kangzhe Vision	73497035	5	13 February 2034
	PRC	Hainan Kangzhe Vision	73499247	5	13 April 2034
复艾沐	PRC	Hainan Kangzhe Vision	74563632	10	6 April 2034
复艾沐	PRC	Hainan Kangzhe Vision	74563622	5	13 April 2034
复艾沐	PRC	Hainan Kangzhe Vision	74561565	44	6 April 2034
复艾沐	PRC	Hainan Kangzhe Vision	74559594	3	6 April 2034
复艾沐	PRC	Hainan Kangzhe Vision	74554128	35	6 April 2034
复艾沐	PRC	Hainan Kangzhe Vision	74547616	42	6 April 2034
施图伦	PRC	Hainan Kangzhe Vision	5439167	5	13 September 2029
	PRC	Hunan Medical	179116	5	29 June 2033
	PRC	Hunan Medical	4312876	5	20 December 2027
	PRC	Hunan Medical	4312877	5	20 December 2027