SINO BIOPHARMACEUTICAL LIMITED

中國生物製藥有限公司

(Incorporated in the Cayman Islands with Limited Liability)

(Stock Code: 1177)

2023

Annual Report

Contents

Corporate Profile

Principal products

Oncology medicines:

- Focus V (Anlotinib Hydrochloride Capsules),
- Annike (Penpulimab Injection),
- Yilishu (Efbemalenograstin alfa Injection),
- Anyue (Pomalidomide Capsules),
- Anbeisi (Bevacizumab Injection),
- Delituo (Rituximab Injection),
- Saituo (Trastuzumab for Injection)

Liver disease medicines:

- Tianqing ganmei (Magnesium Isoglycyrrhizinate) Injection,
- Runzhong (Entecavir) dispersible Tablets

Respiratory system medicines:

- Tianqing suchang (Budesonide suspension for Inhalation),
- Tianyun (Colistimethate Sodium for Injection)

Surgery/analgesia medicines:

- Zepolas (Flurbiprofen Cataplasms),
- Kailitong (Limaprost Tablets),
- Anhengji (Recombinant Human Coagulation Factor VIII for Injection)

Cardio-cerebral vascular medicines:

- Yilunping (Irbesartan and Hydrochlorothiazide Tablets),
- Kaina (Beraprost Sodium Tablets)

Innovative products

Innovative medicines:

- Focus V (Anlotinib Hydrochloride Capsules)
- Annike (Penpulimab Injection)
- Yilishu (Efbemalenograstim alfa Injection)
- Tianqing ganmei (Magnesium Isoglycyrrhizinate Injection)
- Zepolas (Flurbiprofen Cataplasms)
- Kailitong (Limaprost Tablets)

Biosimilar medicines:

- Anbeisi (Bevacizumab Injection)
- Delituo (Rituximab Injection)
- Saituo (Trastuzumab for Injection)
- Anhengji (Recombinant Human Coagulation Factor VIII for Injection)
- Taibowei (Adalimumab Solution for Injection)

Corporate Profile

Sino Biopharmaceutical Limited (the "Company" or "Sino Biopharm", together with its subsidiaries, the "Group") is a leading, innovative R&D-driven pharmaceutical conglomerate in China. It prides itself on a fully-integrated industrial chain, covering various R&D platforms, intelligent production operations and a formidable sales system. Its products including biopharmaceutical and chemical medicines enjoy an advantageous position in a host of therapeutic areas, such as tumors, liver diseases, respiratory system diseases and surgery/analgesia.

The Company was listed on the Hong Kong Stock Exchange in 2000 and included in 2013 as a constituent stock of MSCI Global Standard Indices – MSCI China Index, Hang Seng Index in 2018, Hang Seng China Enterprises Index in 2019, and Hang Seng Connect Biotech 50 Index and Hang Seng China (Hong Kong-listed) 25 Index in 2020. It has been five years in a row among the "Top 50 Global Pharmaceutical Enterprises" named by the US authoritative magazine Pharm Exec and was for three consecutive years among the "Asia's Fab 50 Companies" named by Forbes Asia.

The subsidiaries of Sino Biopharm are located in Beijing, Shanghai, Nanjing, Lianyungang and multiple manufacturing sites. Since its inception, the Company has continued to boast outstanding achievements and robust growth. Its core member companies Chia Tai Tianqing Pharmaceutical Group Co., Ltd. and Beijing Tide Pharmaceutical Co., Ltd. have been among the "Top 100 Chinese Pharmaceutical Industry Enterprises" for years.

On the strong foundation its generic drug business provides, the Company is transforming at full steam powered by innovation, with innovative drug business driving revenue growth and contributing an increasing share to its revenue every year. Its in-house R&D pipeline is also a major force driving innovation and transformation of the Company, enabling continuously upgrade of the Company's technology platforms. Led by a top science team, the Company has pressed on with internationalization and has become a frontrunner in the international arena.

Sino Biopharm will continue to deliver its mission of "Science for a Healthier World" and focus on developing innovative therapies for patients. It is committed to becoming a world-leading pharmaceutical company. Sino Biopharm hopes to share its development results of the pharmaceutical and health industry with knowledgeable industry professionals, and work together with them for a win-win future.

The Group's principal subsidiaries include: Chia Tai Tianqing Pharmaceutical Group Co. Ltd. ("CT Tianqing"), Beijing Tide Pharmaceutical Co. Ltd. ("Beijing Tide"), Nanjing Chia Tai Tianqing Pharmaceutical Co., Ltd. ("NJCTT"), Jiangsu Chia Tai Fenghai Pharmaceutical Co., Ltd. ("Jiangsu CT Fenghai"), Jiangsu Chia Tai Qingjiang Pharmaceutical Co., Ltd. ("Jiangsu CT Qingjiang") and invoX Pharma Limited ("invoX"). NJCTT, Jiangsu CT Qingjiang and Jiangsu CT Fenghai have been designated "Engineering Technological Research Centre for treating tumors and cardio-cerebral phytochemistry medicines of Jiangsu Province", "Engineering Technological Research Centre for orthopedic medicines" and "Engineering Technological Research Centre for parenteral nutritious medicines" by the Science and Technology Committee of Jiangsu Province, respectively.

Named by the Ministry of Human Resources and Social Security of the PRC as a "Postdoctoral Research and Development Institute", the research center of CT Tianqing is also the only "New Hepatitis Medicine Research Center" in the country.

Beijing Tide obtained the renewed GMP certification for foreign pharmaceutical company from the Public Welfare and Health Ministry of Japan in December 2012. Japanese pharmaceutical enterprises can assign the manufacturing of aseptic pharmaceutical products (products that are under research and products already launched to the domestic market within Japan) to Beijing Tide for export to Japan.

Corporate Profile

2010 Mar

Constituent stock of Hang Seng Composite Industry Index

The Company was selected as a constituent stock of Hang Seng Composite Industry Index – Consumer Goods and Hang Seng Composite SmallCap Index with effect from 8 March 2010.

2011 Sep

First certificate of new edition GMP

In September 2011, CT Tianqing received the first certificate of new edition GMP (Certificate No. CN20110001) issued by the State Food and Drug Administration of the PRC for its small volume (injection) dosage.

2013 May

Constituent of the MSCI Global Standard Indices' MSCI China Index

The Company became a constituent of the MSCI Global Standard Indices' MSCI China Index with effect from the close of trading on 31 May 2013.

2016, 2017 and 2018

Asia Fab 50 Companies

The Company was included in Forbes Asia's "Asia Fab 50 Companies" for three consecutive years in 2016, 2017 and 2018.

2017 Dec

First enterprise passed the Consistency Evaluation

In December 2017, Qingzhong (Tenofovir Disoproxil Fumarate) tablet became the first generic drug in the PRC that had completed the bioequivalence study according to the "Consistency of Quality and Efficacy Evaluation for Generic Drugs" ("Consistency Evaluation") standard. The Group was the first enterprise that passed the Consistency Evaluation.

2018 Jan

Tuotuo (Rosuvastatin Calcium) tablet

In January 2018, Tuotuo (Rosuvastatin Calcium) tablet became the only drug that was approved in the Consistency Evaluation among a whole variety of drugs within Jiangsu Province and was the first of the same kind of drugs in the PRC.

2018 May

Focus V (Anlotinib Hydrochloride Capsule)

In May 2018, a new Chemicals Category 1 drug of antitumor – Focus V (Anlotinib Hydrochloride Capsule) obtained the approval for drug registration granted by the NMPA.

2018 Sep

Constituent stock of the Hang Seng Index

The Company was selected as a constituent stock of the Hang Seng Index with effect from 10 September 2018.

2019 Dec

Hang Seng China Enterprises Index

The Company was selected as a constituent stock of the Hang Seng China Enterprises Index with effect from 9 December 2019.

2020 Mar

Hang Seng Connect Biotech 50 Index

The Company was selected as a constituent stock of Hang Seng Connect Biotech 50 Index on 23 March 2020.

2019 to 2023

Top 50 Companies for five consecutive years from 2019 to 2023

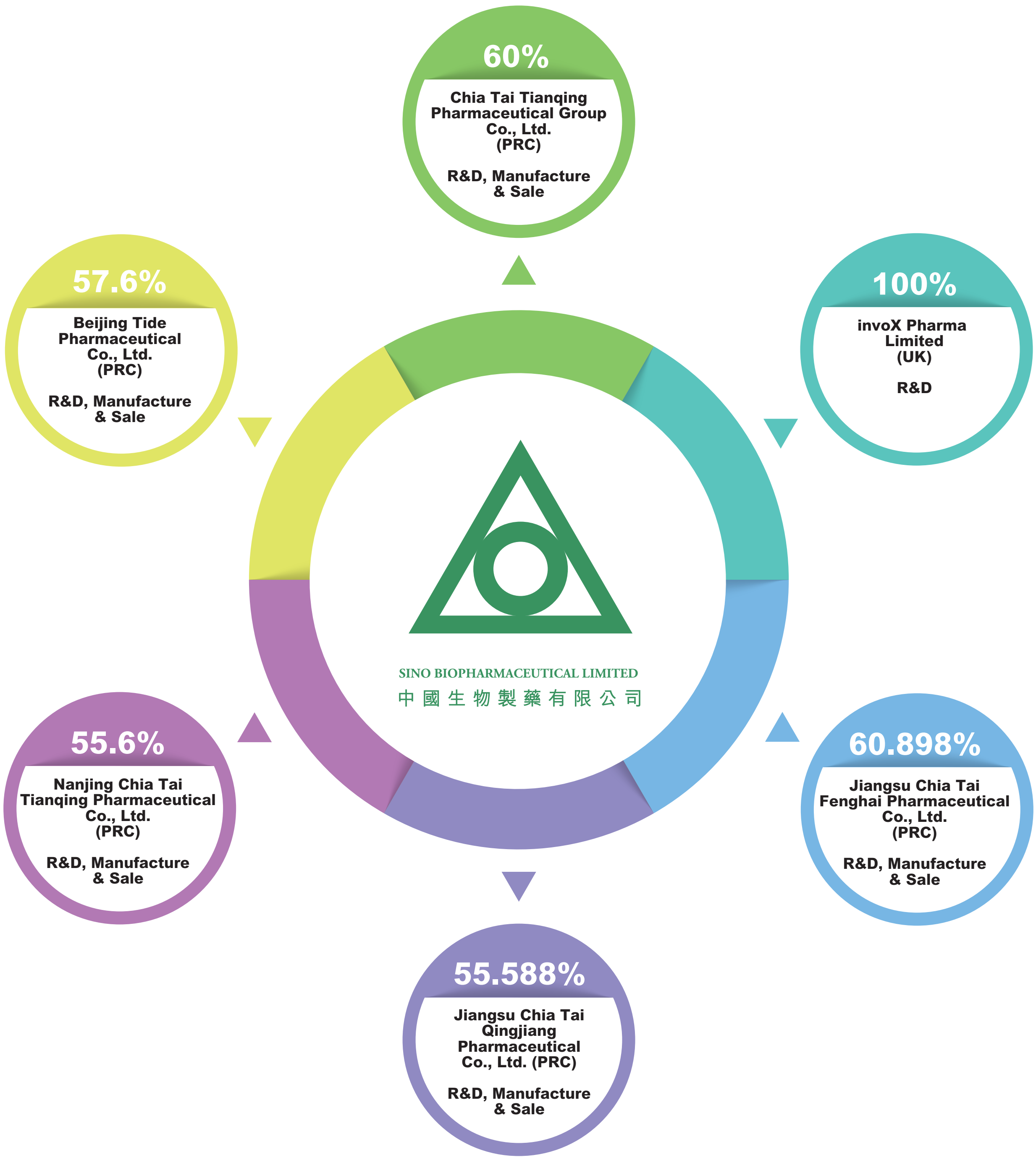
The Company was included in American Magazine Pharm Exec's Top 50 Companies for five consecutive years from 2019 to 2023.

The Group's website: http://www.sinobiopharm.com

Corporate Profile

PRINCIPAL SUBSIDIARIES OF THE GROUP

Fig 1.1



Financial Summary

A summary of the published results and assets, liabilities, net assets and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out below. This summary does not form part of the audited financial statements.

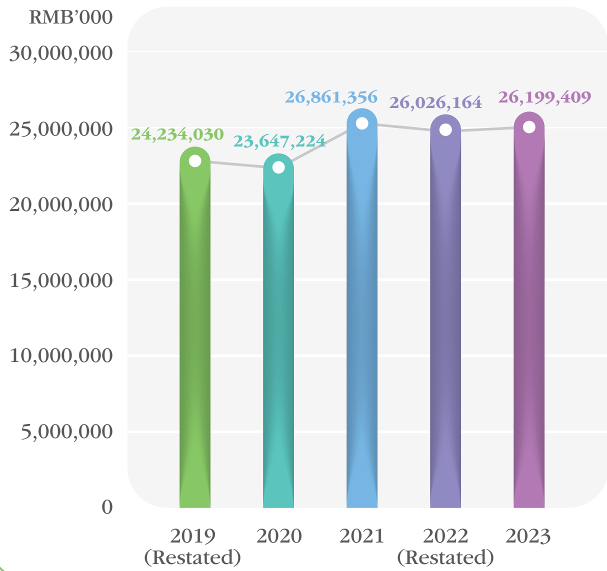
	2023 RMB'000	2022 RMB'000 (Restated)*	2021 RMB'000	2020 RMB'000	2019 RMB'000 (Restated)
CONTINUING OPERATIONS					
REVENUE	**26,199,409**	26,026,164	26,861,356	23,647,224	24,234,030
Cost of sales	**(4,989,877)**	(4,487,616)	(5,332,095)	(5,182,320)	(4,926,268)
Gross profit	**21,209,532**	21,538,548	21,529,261	18,464,904	19,307,762
Other income	**1,134,432**	689,626	807,013	793,205	857,156
Other (losses)/gains, net	**(142,816)**	(258,733)	251,694	469,054	(79,456)
Selling and distribution costs	**(9,193,351)**	(9,809,372)	(10,518,393)	(8,972,635)	(9,319,541)
Administrative expenses	**(1,873,284)**	(1,899,408)	(2,185,234)	(2,655,926)	(2,477,418)
Other expenses	**(4,703,660)**	(4,463,322)	(4,633,841)	(2,758,957)	(2,479,346)
Including: Research and development costs	***(4,402,973)***	*(4,164,498)*	*(3,677,259)*	*(2,626,709)*	*(2,398,712)*
Finance costs	**(495,237)**	(429,494)	(308,617)	(323,368)	(229,950)
Share of profits and losses of associates and a joint venture	**(525,710)**	(152,976)	13,630,790	(3,233)	111,385
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	**5,409,906**	5,214,869	18,572,673	5,013,044	5,690,592
Income tax expenses	**(797,267)**	(696,716)	(1,957,880)	(672,377)	(902,747)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**4,612,639**	4,518,153	16,614,793	4,340,667	4,787,845
DISCONTINUED OPERATIONS					
Profit for the year from discontinued operations	**484,759**	484,465	–	–	–
PROFIT FOR THE YEAR	**5,097,398**	5,002,618	16,614,793	4,340,667	4,787,845
Attributable to:					
Owners of the parent	**2,331,939**	2,543,570	14,608,412	2,771,086	2,761,542
Non-controlling interests	**2,765,459**	2,459,048	2,006,381	1,569,581	2,026,303
	5,097,398	5,002,618	16,614,793	4,340,667	4,787,845
TOTAL ASSETS	**63,604,819**	64,064,284	60,543,337	47,210,438	37,514,192
TOTAL LIABILITIES	**(25,434,866)**	(26,120,736)	(22,814,314)	(24,790,880)	(16,953,010)
NET ASSETS	**38,169,953**	37,943,548	37,729,023	22,419,558	20,561,182
NON-CONTROLLING INTERESTS	**(7,695,484)**	(8,196,513)	(7,437,907)	(5,672,398)	(5,611,937)

* The year 2022 statement of profit or loss has been re-presented as if the operations discontinued during the year 2023 has been discontinued at the beginning of the year 2022.

Financial Summary

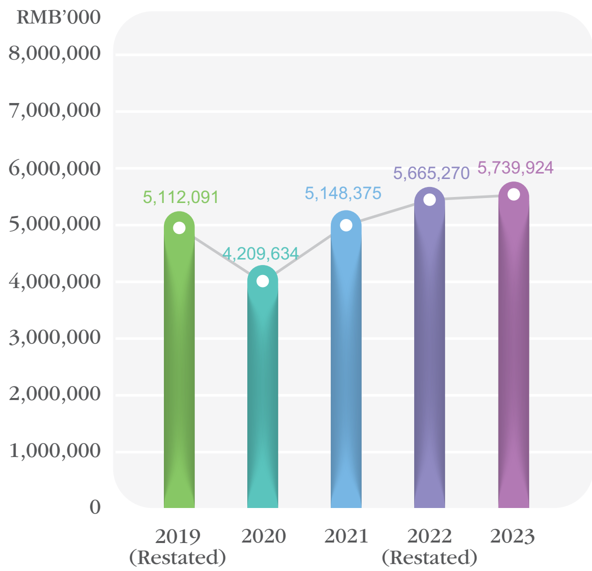
REVENUE

Fig.1.2



GROWTH OF PROFIT*

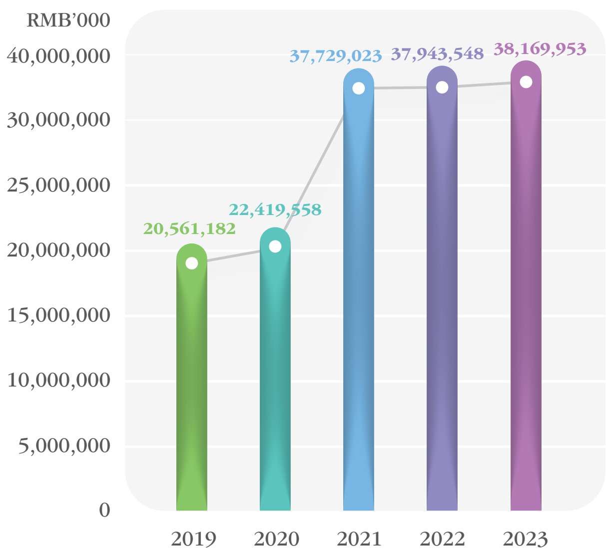
Fig.1.3



* Operating profit = gross profit – selling and distribution costs – administrative expenses – research and development costs

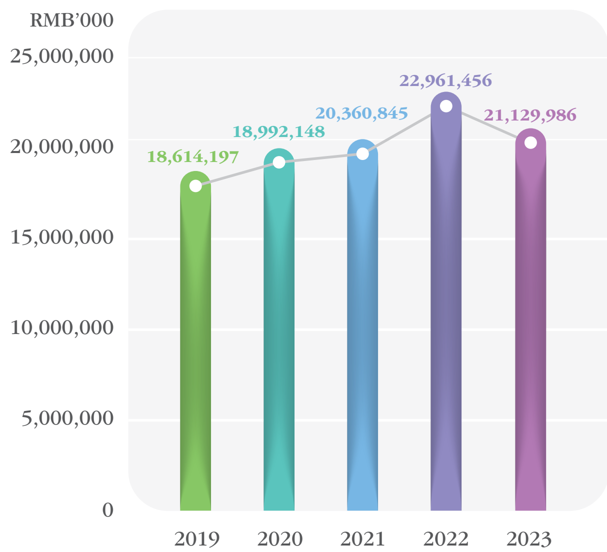
NET ASSETS VALUE

Fig.1.4



FUND RESERVE*

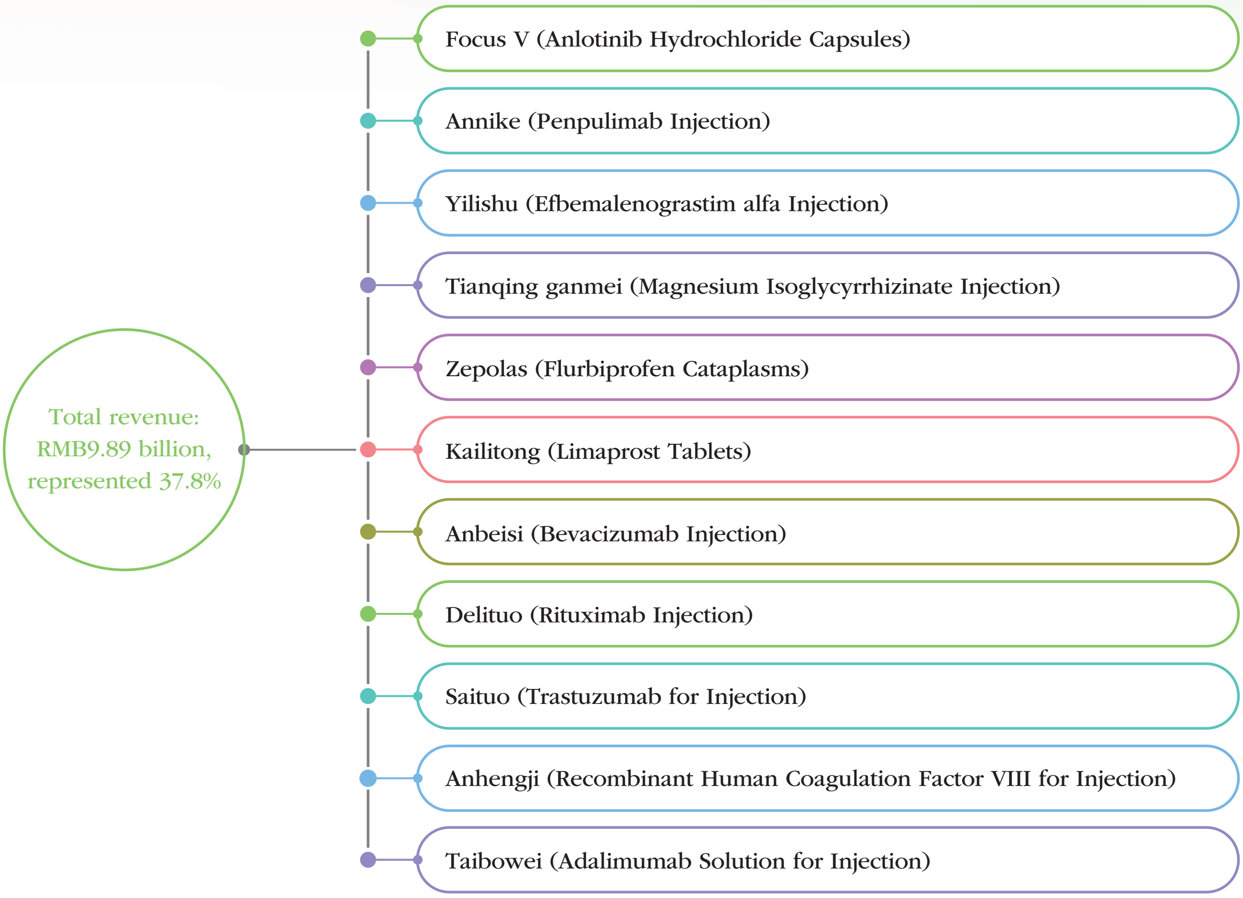
Fig.1.5



* Including current and non-current bank deposit and wealth management products

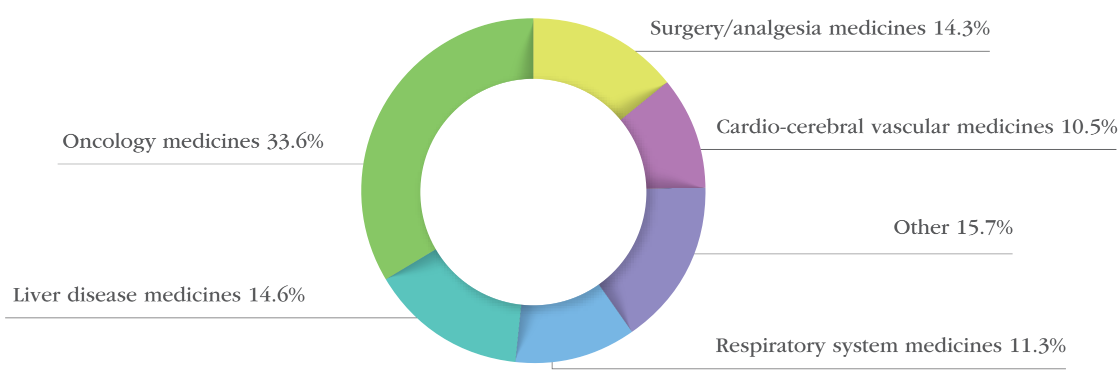
INNOVATIVE PRODUCTS

Fig.1.6



REVENUE BY THERAPEUTIC CATEGORIES (2023)

Fig.1.7



Chairwoman's Statement

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to report the results of the Group for the year ended 31 December 2023.

Industry Overview

Looking back at 2023, the global economy gradually emerged from the shadow of the COVID-19 pandemic, although inflation, war, debt crisis, and energy crisis have become new keywords. In face of such a complex and severe external situation, weak domestic consumption and insufficient domestic demand, China continued to make steady progress, and gradually recovered from the pandemic, with the national economy improving. According to the preliminary data from the National Bureau of Statistics, the annual gross domestic product (GDP) in 2023 totaled RMB126 trillion, a 5.2% year-on-year increase.

2023 was a challenging year for the pharmaceutical industry. At the beginning of the year, after three years of rigorous anti-pandemic measures, China adjusted its prevention and control policies and measures in a timely manner and downgraded the novel coronavirus infection to "Category B". The number of infections soared in a short period of time, resulting in restrictions in the movement of goods and people, which dragged down the overall development of the pharmaceutical industry in the first quarter. According to data from the National Bureau of Statistics, the total operating revenue of China's above-scale pharmaceutical manufacturing industry was RMB674.09 billion in the first quarter of 2023, 3.3% lower than the previous year, while total profit decreased by 19.9% year-on-year to RMB89.22 billion.

The pharmaceutical industry, as an important industry for the health and well-being of the country and its people, has been a key area of the country's anti-corruption work. In early July 2023, 10 departments, including the National Health Commission, the Ministry of Public Security, the National Audit Office, the National Healthcare Security Administration, and the National Medical Products Administration, jointly fought corruption in China's pharmaceutical sector. At the end of July, the Central Commission for Discipline Inspection and the National Commission of Supervision convened a mobilization meeting, during which disciplinary inspection and supervision organs were deployed to launch a centralized rectification and strengthen supervision and enforcement of discipline and laws. This centralized rectification covered all areas and chains of the pharmaceutical industry, and strictly cracked down on illegal activities such as the transfer of benefits. This is vital to promoting the high-quality and sustainable development of China's pharmaceutical industry.

The State purified the business environment by combating corruption, returned marketing and promotion to the clinical value and essence of medicines, and promoted the long-term and healthy development of the industry. The State also adopted new pricing policies to encourage high-quality innovation and guide the industry from follow-on innovation or simulation innovation to original innovation. In February 2024, the National Healthcare Security Administration issued the "Notice on Establishing an Initial Price Formation Mechanism for Newly Launched Chemical Drugs to Encourage High-Quality Innovation (Draft for Comments)", giving more pricing freedom to high-quality innovative drugs, advocating returns on investment matching risks, and encouraging the positive cyclical development of innovation.

Chairwoman's Statement

Since 2018, the National Healthcare Security Administration has continued to promote important work such as adjusting the national reimbursement drug list ("NRDL") and the centralized procurement of drugs. While increasing support for pharmaceutical innovation, it has increased the availability of drugs and eased the financial burden on the public. In 2023, 126 new drugs were added to the NRDL, bringing the total number of drugs in the adjusted list to 3,088. Six of the Group's products, Yilishu (Efbemalenograstim alfa Injection), Sitagliptin Phosphate and Metformin Hydrochloride Sustained-release Tablets, Lubiprostone Soft Capsules, Tedizolid Phosphate Tablets, Tedizolid Phosphate for Injection, and Trifluridine and Tipiracil Hydrochloride Tablets, have been added to the "Drug List for National Basic Medical Insurance, Work-Related Injury Insurance, and Maternity Insurance (2023)", and are expected to become important contributors to the Group's revenue growth in 2024. The eighth and ninth batches of centralized drug procurement organized by the government were carried out smoothly in 2023. In total, 39 and 41 drugs were procured, respectively, with average price reductions of 56% and 58%. All of the Group's generic drugs with annual revenue of more than RMB500 million (excluding exclusive products) have been included in the scope of centralized drug procurement, and the related risks have basically been removed.

BUSINESS REVIEW

Oncology

– Focus V (Anlotinib Hydrochloride Capsules) has been approved for 5 indications: third-line non-small cell lung cancer, third-line small cell lung cancer, soft tissue sarcoma, medullary thyroid cancer and differentiated thyroid cancer. The application for marketing of anlotinib combined with benmelstobart (anti-PD-L1) for the first-line treatment of small cell lung cancer has been accepted by the Center for Drug Evaluation ("CDE") of the National Medical Products Administration of China ("NMPA") in January 2023, and it is expected to be approved in 2024. In February 2024, anlotinib combined with benmelstobart (anti-PD-L1) submitted a new indication marketing application to CDE and the application was accepted, for the third-line treatment of endometrial cancer. In addition, anlotinib has 10 new indications in Phase III clinical studies, including the combination of anlotinib with penpulimab (anti-PD-1), the combination of anlotinib with benmelstobart (anti-PD-L1), and the combination of anlotinib with chemotherapy, which are expected to progressively submit marketing applications in the next one to two years. In December 2023, anlotinib successfully renewed its contract through NRDL negotiations. Its indication for differentiated thyroid cancer was newly included in the NRDL. At present, all of the 5 approved indications of anlotinib have been included in the NRDL.

– Yilishu (Efbemalenograstim alpha Injection) was approved by the NMPA in May 2023 for the prevention and treatment of neutropenia in cancer patients after receiving chemotherapy drugs. In November 2023, Efbemalenograstim alpha Injection was approved for marketing by the U.S. Food and Drug Administration ("FDA") and was included in the authoritative clinical guideline of the National Comprehensive Cancer Network (NCCN), in December. Yilishu has completed three global multi-center, randomized and controlled pivotal phase III clinical trials and compared with the short-acting and long-acting drugs commonly used in clinical practice, proving the efficacy and safety of Yilishu. As a third-generation long-acting granulocyte colony stimulating factor (G-CSF), Yilishu forms a dimer through Fc fusion protein without PEG modification, which better avoids the immune response caused by PEG, and has the significant advantages of high stability and low immunogenicity, allowing earlier dosing and better treatment compliance for patients. In December 2023, Yilishu was successfully included in the NRDL, which is expected to accelerate its sales in 2024 and become an important contributor to the Group's revenue growth.

– The NMPA has granted market approval for Anbeisi (Bevacizumab Injection), Delituo (Rituximab Injection), and Saituo (Trastuzumab for Injection) in February 2023, May 2023 and July 2023, respectively. Anbeisi (Bevacizumab Injection) was approved for the treatment of metastatic colorectal cancer, recurrent glioblastoma, and advanced, metastatic or recurrent non-small cell lung cancer. Delituo (Rituximab Injection) was approved for the treatment of non-Hodgkin's lymphoma (follicular lymphoma, CD20-positive diffuse large B-cell lymphoma, and chronic lymphocytic leukemia). Saituo (Trastuzumab for Injection) was approved for the treatment of human epidermal growth factor receptor 2 (HER2)-positive early breast cancer, metastatic breast cancer and metastatic gastric cancer. Sales of these biosimilar drugs are expected to increase rapidly in 2024, accelerating the Group's revenue growth.

– For the R&D pipeline, as at the end of the reporting period, the Group had a total of 43 innovative oncology drug candidates in or after clinical trials, of which 5 were at the marketing application stage, 4 were in Phase III clinical trials, 13 were in Phase II clinical trials, and 21 were in Phase I clinical trials. In addition, the Group has 17 biosimilar or generic drug candidates in the oncology field in or after clinical trials, including 7 at the marketing application stage, 2 in pivotal clinical trials, and 8 in bioequivalence ("BE") trials. The Group expects 7 innovative drugs and 9 biosimilars or generic drugs in the oncology field to be approved for marketing in the next three years (2024-2026).

– Benmelstobart (anti-PD-L1) submitted a marketing application to CDE in January 2023 and the application was accepted for the first-line treatment of small cell lung cancer in combination with anlotinib. In February 2024, benmelstobart submitted a marketing application for a new indication to CDE and the application was accepted for use in combination with anlotinib to treat recurrent or metastatic endometrial cancer that is not microsatellite instability-high (non-MSI-H) or not DNA mismatch repair defect (non-dMMR) and that have previously received first-line or second-line chemotherapy that was either unsuccessful or not tolerated. Benmelstobart is an innovative fully humanized anti-PD-L1 monoclonal antibody with a new sequence independently developed by the Group. In 2022, benmelstobart was included in the list of breakthrough therapeutics by CDE. In February 2024, benmelstobart was included in the priority review and approval procedures by CDE for the treatment of recurrent or metastatic endometrial cancer in combination with anlotinib. Benmelstobart will become one of the important auxiliary products of anlotinib, and it will rapidly increase in sales with the help of anlotinib's large patient population.

– D-1553 (KRAS G12C inhibitor) submitted a marketing application to CDE in December 2023 and the application was accepted for the second-line treatment of KRAS G12C mutated locally advanced or metastatic non-small cell lung cancer. Currently, there are no drugs targeting KRAS G12C on the market in China. D-1553 is the first KRAS G12C inhibitor independently developed and entered clinical trials stage in China. In 2022, D-1553 was included in the list of breakthrough therapeutics by CDE. In January 2024, D-1553 was included in the priority review and approval procedures by CDE. The potential indications of D-1553 are large. The Group is actively planning to advance the clinical trials of D-1553 for a number of solid tumors such as first-line non-small cell lung cancer. It is expected that D-1553 will further expand its indications in the next few years, and is expected to be another anlotinib-level blockbuster oncology product.

– TQ-B3139 (ALK/c-Met inhibitor) submitted a marketing application to CDE in May 2022 and the application was accepted for treatment of patients with locally advanced or metastatic non-small cell lung cancer who are positive for anaplastic lymphoma kinase ("ALK"). TQ-

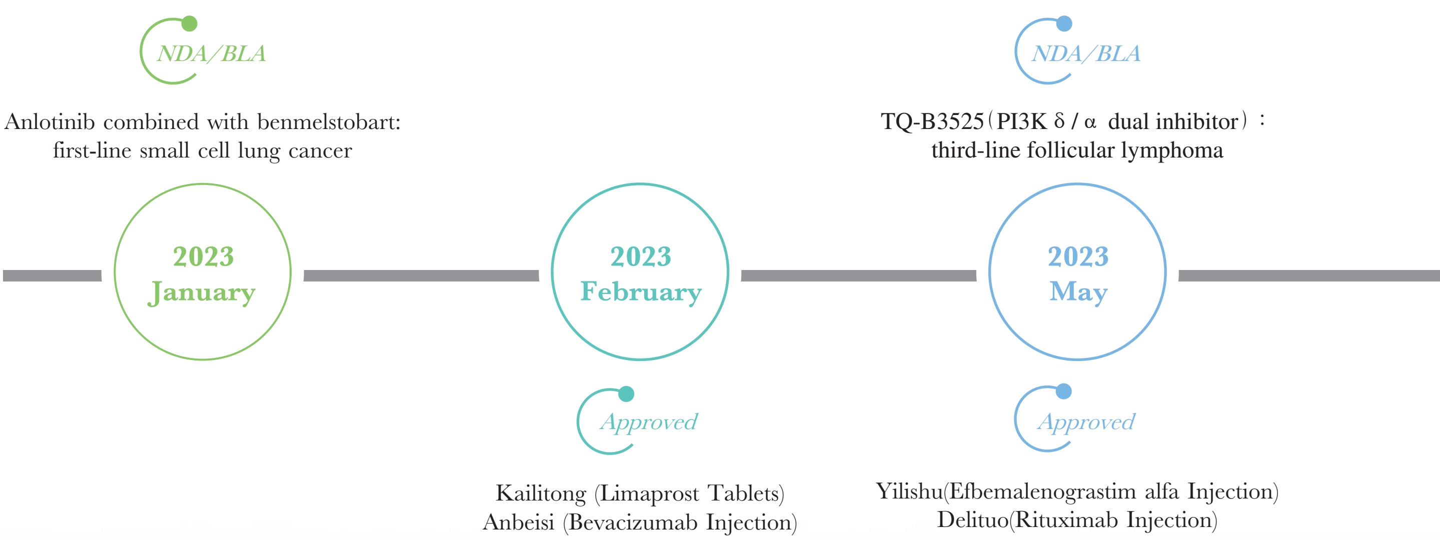
B3139 is a tyrosine kinase receptor inhibitor ("TKI") that has significant inhibitory effects on both ALK and MET receptor tyrosine kinases ("c-Met"). Phase III clinical data show that TQ-B3139 can significantly prolong the progression-free survival of patients with ALK-positive non-small cell lung cancer, and at the same time can well control the occurrence and development of brain metastases in patients. TQ-B3139 is expected to be approved in 2024 and is expected to become the third domestic ALK inhibitor approved for marketing in China.

– TQ-B3101 (ROS1/ALK/c-Met inhibitor) submitted a marketing application to CDE in June 2022 and the application was accepted for the treatment of patients with ROS1-positive locally advanced or metastatic non-small cell lung cancer. TQ-B3101 is a ROS1/ALK/c-Met TKI. Clinical data show that TQ-B3101 has a significant efficacy in the treatment of non-small cell lung cancer in both short-term and long-term, with low ocular toxicity and good safety. TQ-B3101 is expected to be approved in 2024 and is expected to be the first domestic ROS1 inhibitor approved for the treatment of ROS1-positive non-small cell lung cancer.

Liver diseases

– In 2023, sales of Tianqing Ganmei (Magnesium Isoglycyrrhizinate Injection) increased significantly. Tianqing Ganmei has been recommended by the "Chinese Guideline for Diagnosis and Management of Drug-Related Liver Injury in China (2023 Edition)", and a study was selected for oral presentation at the 33rd Annual Meeting of the Asian Pacific Association for the Study of the Liver (APASL). The Group made efforts to strengthen the academic promotion of the efficacy and safety advantages of Tianqing Ganmei to doctors in the treatment of chronic viral hepatitis, acute drug induced liver injury and liver function abnormalities. The academic conferences at various levels helped expand doctor coverage and gain greater recognition from experts, and the Group's efforts to actively explore new patients and new markets also drove the rapid sales growth of Tianqing Ganmei.

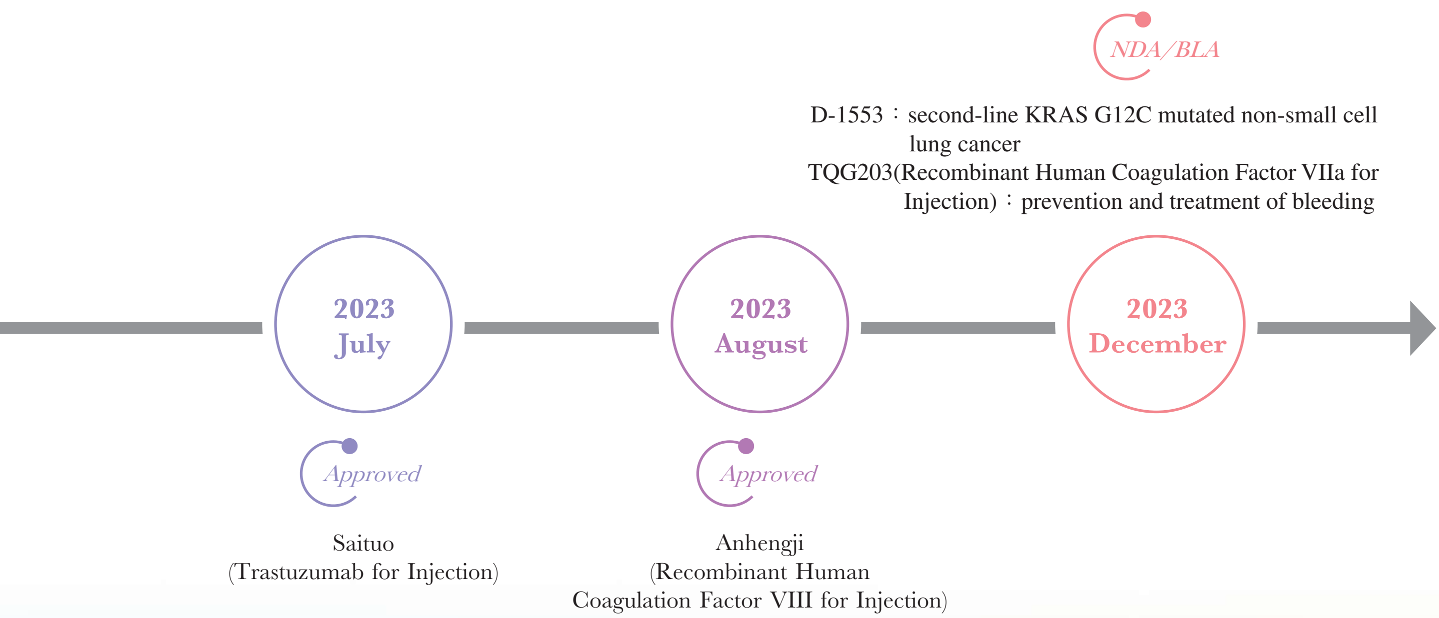
– For the R&D pipeline, as at the end of reporting period, the Group had a total of 6 innovative drug candidates in the field of liver diseases in or after clinical trials, including 1 in Phase III clinical trials, 4 in Phase II clinical trials and 1 in Phase I clinical trials. In addition, the Group had



3 biosimilar or generic drug candidates in the field of liver diseases in or after the clinical trial stage, including 2 at the marketing application stage and 1 in BE trials. The Group expects to have 2 biosimilar or generic drugs in the field of liver diseases approved for marketing in the next three years (2024-2026).

– Lanifibranor (pan-PPAR agonist) is an orally available small molecule drug that regulates antifibrotic and anti-inflammatory pathways in the body by activating three peroxisome proliferator-initiated receptor ("PPAR") isoforms, which is beneficial for vascular and metabolic changes and can be used to treat metabolic dysfunction-associated steatohepatitis ("MASH") and other underlying metabolic diseases. Compared with other PPAR agonists that target only one or two PPAR isoforms, this product targets all three PPAR isoforms, and its moderate and balanced pan-PPAR binding properties can make the drug well tolerated. In March 2023, lanifibranor submitted a clinical trial application to CDE and the application was accepted, and in July, lanifibranor was included in the list of breakthrough therapeutics. Currently, lanifibranor is conducting Phase III clinical trials globally and is actively advancing the enrollment of subjects. Lanifibranor is the first oral MASH drug to enter phase III clinical trials in China, which is expected to fill the gap in China's MASH market.

– TQA2225/AP025 (recombinant human FGF21-Fc fusion protein) is a fully human long-acting fibroblast growth factor 21 ("FGF21") fusion protein, currently undergoing phase II clinical trials in China for the treatment of MASH. Compared with other similar targeted drugs, TQA2225 uses natural human FGF21 as the active form, which reduces the possible immunogenicity and has good safety. In addition, TQA2225 uses a unique linker platform technology to prolong the half-life of FGF21 in vivo while preserving the biological activity of human FGF21, and is the first fully human long-acting FGF21 fusion protein that has entered clinical trial stage in the world. Clinical studies have shown that FGF21 signal transduction can reverse many features of the pathogenesis of MASH, and has the potential to reverse fibrosis, reduce liver fat, and improve blood sugar control. TQA2225 is the fastest-developing product among drugs with the same target in China, and is expected to become the first FGF21 fusion protein to be marketed in China.



Chairwoman's Statement

Respiratory system

– Tianqing Suchang (Budesonide Suspension for Inhalation) has been included in the centralized procurement list. The Group responded to the impact of centralized procurement by taking a series of proactive management measures in a timely manner, including strengthening downstream channels, expanding market coverage and conducting secondary development in markets outside of centralized drug procurement. It withstood the pressure of centralized drug procurement and achieved a significant increase in sales.

– Tianyun (Colistimethate Sodium for Injection) became a first-to-market generic drug in 2021 and was successfully included in the NRDL in January 2023. Colistimethate sodium is one of the most widely used and evidence-based polymyxins in the world, and has been recommended by the "Multidisciplinary Expert Consensus on the Rational Clincial Use of Polymyxin Antibiotics in China (2021)", "International Consensus Guidelines for the Optimal Use of Polymyxins (2019)" and many other authoritative guidelines at home and abroad. Compared with polymyxin E sulfate and polymyxin B sulfate, colistimethate sodium has the lowest acute toxicity and no adverse effects of skin pigmentation. At present, only two products with the same generic name have been approved in China. Leveraging the Group's strong commercialization capabilities, Tianyun has quickly captured market share and achieved rapid sales growth.

– For the R&D pipeline, as at the end of the reporting period, the Group had a total of 8 innovative respiratory drug candidates in or after clinical trials, including 1 at the marketing application stage, 4 in Phase II clinical trials, and 3 in Phase I clinical trials. In addition, the Group has 23 biosimilar or generic respiratory drug candidates in or after clinical trials, including 11 at the marketing application stage, 2 in Phase I clinical trials and 10 in BE trials. The Group expects 1 innovative drug and 11 biosimilar or generic drugs in the respiratory system field to be approved for marketing in the next three years (2024-2026).

– TDI01 (ROCK2 highly selective inhibitor) is a novel targeted and highly selective Rho/Rho-associated coiled-coil protein kinase 2 inhibitor. It is currently in clinical Phase II development. Its target indications include pneumoconiosis, pulmonary fibrosis, and graft-versus-host disease. Phase I clinical trials for the pneumoconiosis indication have been completed in the U.S. and Phase I clinical trials have commenced in China. As there are currently no approved drugs for the treatment of pneumoconiosis worldwide, TDI01 is expected to fill this gap and bring benefits to pneumoconiosis patients. A Phase II clinical trial of TDI01 for idiopathic pulmonary fibrosis was initiated in China in April 2023. The Group believes that TDI01 has the potential to become a block buster drug and will therefore vigorously pursue its clinical development.

– TQC2731 (TSLP monoclonal antibody) is a thymic stromal lymphopoietin ("TSLP") monoclonal antibody, currently undergoing phase II clinical trials in China. Its indications include severe asthma and chronic sinusitis with nasal polyps. It is the first domestic TSLP monoclonal antibody that has entered Phase II clinical trials. Among the trials, the Phase II clinical trial of severe asthma has successfully completed enrollment of all subjects. Studies have shown that TSLP monoclonal antibody is not only effective in the treatment of eosinophilic asthma, but also shows significant efficacy in people with low eosinophilic phenotypes, so it can cover a wider range of patients with severe asthma. Currently, no TSLP monoclonal antibody has been approved for marketing in China. The Group will vigorously promote the clinical development of TQC2731 to address the unmet clinical needs.

– TCR1672 (P2X3 receptor antagonist) is a second-generation highly selective P2X3 receptor antagonist. It is currently undergoing Phase Ib/II clinical trials in China for the treatment of refractory chronic cough. In 2021, TCR1672 submitted a new drug clinical trial (IND) application to the FDA and obtained clinical trial approval. Preclinical studies have shown that compared with the first-generation P2X3 receptor antagonists, TCR1672 is more effective in vivo and in vitro, and has better selectivity for P2X3 and P2X2/3 and less possible taste interference. Currently, there are no drugs targeting P2X3 on the market in China, and TCR1672 is expected to become one of the first three P2X3 receptor antagonists approved in China.

– TQC3721 (PDE3/4 inhibitor) is a dual PDE3/4 inhibitor, currently undergoing Phase II clinical trials in China for the treatment of moderate to severe chronic obstructive pulmonary disease. PDE3 mainly acts on bronchial smooth muscle. PDE4 is mainly expressed in various inflammatory cells. TQC3721 can reduce off-target effects through dual-target inhibition, and combines the dual activities of bronchiectasis and anti-inflammation in one compound. At present, no drug with the same targets has been approved for marketing in the world. TQC3721 is the fastest developing domestic PDE3/4 dual inhibitor in China.

– TQH2722 (IL-4Rα monoclonal antibody) is a humanized monoclonal antibody that targets interleukin 4 receptor α ("IL-4Rα"). It is currently undergoing phase II clinical trials in China, with indications for atopic dermatitis and chronic sinusitis with or without nasal polyps. Among the trials, the Phase II study of atopic dermatitis has completed enrollment of all subjects, and the results of the study are planned to be announced in 2024. TQH2722 can lead to double blockade of interleukin-4 (IL-4) and interleukin-13 (IL-13) signals, inhibiting type 2 inflammatory pathways, thereby achieving control on type 2 inflammatory diseases such as atopic dermatitis, asthma, and chronic sinusitis.

Surgery/Analgesia

– Zepolas (Flurbiprofen Cataplasms) maintained rapid sales growth in 2023. The Group focused on hospital access and development in high-potential areas to expand market coverage and hospital channels, strengthening downstream development and improving development and coverage of secondary hospitals and community healthcare facilities. With the ability to flexibly adjust sales and access strategies, it has seen sales of Zepolas continuing to grow with momentum in recent years.

– Anhengji (Recombinant Human Coagulation Factor VIII for Injection) received marketing approval from the NMPA in August 2023 for the prevention of bleeding in patients with hemophilia A (congenital coagulation factor VIII deficiency) aged 12 years and above. The sales of this product is expected to rapidly increase in 2024, boosting the Group's revenue growth.

– Regarding the R&D pipeline, as at the end of the reporting period, the Group had a total of 4 innovative surgical/analgesic drug candidates in or after clinical trials, including 2 in Phase III clinical trials, 1 in Phase II clinical trials and 1 in Phase I clinical trials. In addition, the Group had 11 biosimilar or generic surgical/analgesic drug candidates in or after clinical trials, including 7 at the marketing application stage, 3 in pivotal clinical trial stage, and 1 in BE trials. The Group expects 2 innovative drugs and 10 biosimilars or generic drugs in the surgical/analgesic field to be approved for marketing in the next three years (2024-2026).

– PL-5 (Antimicrobial Peptide) is the first non-antibiotic antibacterial drug newly designed. It has a broad antibacterial spectrum, and is less susceptible to resistance and highly effective in sterilization. It has a good efficacy on local open wound infections, especially for drug-resistant bacteria strains, with no entry to the blood circulatory system and good safety. The product has now completed a Phase III clinical study for the treatment of secondary wound infections in China, and is expected to become the first marketed antimicrobial peptide product in China.

Awards

– On 19 February 2023, the 34th National Pharmaceutical Economic Information Conference was held in Zhuhai. Sino Biopharm's subsidiary Chia Tai Tianqing and its innovative drug Focus V (Anlotinib Hydrochloride Capsules) were awarded the "Leading Power • China Pharmaceutical High-quality Development Achievement Enterprise and Brand (2022)" award.

– On 24 February 2023, the 2022 Hong Kong Listed Company Development Summit Forum and the 10th Top 100 Hong Kong Listed Companies Awards Ceremony were held in Hong Kong. Sino Biopharm was included in the "Top 100 Comprehensive Strength" list and ranked 7th in the "Most Valuable Investment" award.

– On 5 May 2023, the 7th Future Healthcare VB 100 was officially opened in Shanghai. Sino Biopharm was included in the "Future Healthcare VB100 • Innovation of Listed Companies List".

– On 1 June 2023, Ciweek released the "2023 Top 50 Chinese Innovative Pharmaceutical Companies" list, in which Sino Biopharm was ranked second.

– On 13 June 2023, China Media Group's Financial and Economic Program Center released the "Annual ESG Action Report" and the "China's Top 100 ESG Listed Companies" list. Sino Biopharm was included in the list and received the rating of "Leading Level of ESG Development among Listed Companies".

– On 20 June 2023, the Conference on the High-Quality Development of Comprehensive Health Industry and the 8th China Top Pharmaceutical R&D Innovation (PDI) was held in Chongqing. Sino Biopharm's subsidiary Chia Tai Tianqing was once again included in the "2023 TOP 100 Enterprises in China – Comprehensive Strength in Medicine R&D" and the "2023 TOP 100 Enterprises in China – Chemical Medicine R&D Strength", ranking third in both categories. In addition, Chia Tai Tianqing was included in the "2023 Top 50 Enterprises in China – Biopharmaceutical R&D Strength". Beijing Tide, a subsidiary of Sino Biopharm, was included in the "2023 TOP 100 Enterprises in China – Chemical Medicine R&D Strength".

– On 27 June 2023, the "2022 Top 100 Enterprises in Chinese Pharmaceutical Industry" list was released in Huzhou. With its solid R&D and production strength and stable marketing promotion ability, Sino Biopharm ranked second in the "2022 Top 100 Chinese Chemical Medicine Companies".

– On 11 August 2023, the "2023 Pharmaceutical Industry Competitiveness Top 100 List" was officially released. Sino Biopharm ranked third in both the "2023 Pharmaceutical Industry Competitiveness Top 100 List" and the "2023 R&D Top 10" list.

– On 11 October 2023, the "Top 100 China's Innovative Pharmaceutical Enterprises" list was released. With its outstanding R&D and innovation capabilities and competitive innovation results, Sino Biopharm has been ranked in the first tier of the list for five consecutive years.

- On 27 October 2023, the Jiangsu Quality Conference was held in Nanjing. Chia Tai Tianqing, a subsidiary of Sino Biopharm, received the "Jiangsu Provincial Governor's Quality Award".

- On 2 November 2023, the 15th China Healthcare Summit of Entrepreneurs, Scientists and Investors (CHSESI) was held in Hangzhou. Sino Biopharm bagged three major awards, namely "2023 China's Top 100 Innovative Pharmaceutical Companies", "2023 Top 10 R&D Innovative Pharmaceutical Listed Companies in China" and "Top 20 Chinese Pharmaceutical Listed Companies in ESG Competitiveness in 2023".

- On 18 November 2023, the 40th China Pharmaceutical Industry Information Annual Conference cum 2022 Top 100 China Pharmaceutical Industry Forum was held in Beijing. The Group's subsidiaries CT Tianqing and Beijing Tide were again included in the "Top 100 China Pharmaceutical Industry List 2022" and the "Best Industrial Enterprise for Pharmaceutical R&D Product Line in China".

- On 23 November 2023, the High-Quality Development Forum for Listed Companies and the 25th Golden Bull Award Presentation Ceremony was held in Nantong. Sino Biopharm won the "Hong Kong Stock Golden Bull Award", making it one of only two winning Hong Kong-listed companies in the biomedical industry.

- On 21 December 2023, the Sina Finance 2023 Annual Conference and the 16th Gold Kirin Forum were held in Beijing. Sino Biopharm was awarded the title of "Innovative Drug Enterprise of the Year".

FINANCIAL REVIEW

During the year, the Group recorded revenue of approximately RMB26,199.41 million, an increase of approximately 0.7% over last year. Profit attributable to the owners of the parent was approximately RMB2,331.94 million, a decrease of approximately 8.3% over last year. Earnings per share attributable to the owners of the parent were approximately RMB12.59 cents, a decrease of approximately 7.8% over last year. The decrease in profit attributable to the owners of the parent was mainly due to the lower financial performance of an associate over last year. Excluding the profit attributable to the owners of the parent from the discontinued operations, the share of profits and losses of associates and a joint venture (net of related tax and non-controlling interests), one-off adjustments for the impairment and fair value changes of certain assets and liabilities (net of related tax and non-controlling interests), fair value (gains)/losses of current equity investments, share-based payments (net of related non-controlling interests), loss on extinguishment of partial convertible bond, fair value gain of convertible bond embedded derivative component, effective interest expenses, exchange gain and fair value losses of derivative financial instruments in relation to foreign currency forward contracts of the convertible bond debt component, adjusted non-HKFRS profit attributable to the owners of the parent was approximately RMB2,588.78 million, an increase of approximately 1.5% over last year. Selling expenses to revenue ratio (selling and distribution costs divided by revenue) for the year ended 31 December 2023 was approximately 35.1%, a decrease of 2.6 percentage points over last year. R&D expenses to revenue ratio for the year ended 31 December 2023 was approximately 16.8%, an increase of 0.8 percentage points over last year. The Group's liquidity remains strong. With cash and bank balances classified under current assets of approximately RMB9,451.88 million, bank deposits classified under non-current assets of approximately RMB7,312.89 million, and the wealth management products of approximately RMB4,365.22 million in aggregate, the Group's total fund reserve was approximately RMB21,129.99 million at the year end.

Chairwoman's Statement

PROSPECTS

With the COVID-19 pandemic gradually subsiding, the economic and social order has returned to normal, and the pharmaceutical industry is expected to recover at a faster pace in 2024. The Group has been closely monitoring the development of the country, society and industry, and has made timely adjustments to its development strategies. It has also actively carried out organizational integration, optimized its structure, and focused on the operation of core assets. At the same time, it has focused on innovation and development in the four major therapeutic areas of oncology, liver diseases, respiratory system, and surgery/analgesia, and accelerated the deployment of internationalization to realize rapid business development and steady improvement in results.

Sino Biopharm is committed to "be a leading global pharmaceutical company through delivering innovative therapies for patients". It strives to promote innovative development through its dual engines of internal research and development (R&D) and business development. Over the years, the Group has stepped up its R&D investment and built strong internal R&D capabilities. At the same time, it has vigorously promoted business development and strategic cooperation, striving to become the best partner for global pharmaceutical and biotechnology enterprises. At present, the Group has entered the harvest period of its innovative development. In the next three years, more than 10 innovative products are expected to be launched to market, and the other 30 or more innovative products under R&D have the potential to be launched by 2030, which will further strengthen the Group's dominance in the four major therapeutic areas and provide strong impetus for its long-term sustainable growth.

In addition to its foothold in China, the Group also keeps an eye on the vast global market to accelerate innovation and development through globalization. The Group will adhere to its dual-pronged approach in the implementation of its globalization strategy, so as to become an important platform connecting innovation around the world. Through this approach, the Group will introduce global pharmaceutical innovations to China to benefit Chinese patients, and also go global and open up new markets to accelerate the satisfaction of unmet clinical needs worldwide.

In 2023, the Group sold its equity interests in CT Tongyong and three commercial distribution companies, and in February 2024, it sold its controlling equity interests in CP Qingdao. Looking ahead, the Group will further focus on its core business and innovation, and continue to improve R&D efficiency and quality in the four major therapeutic areas of oncology, liver diseases, respiratory system, and surgery/analgesia. It will also actively accelerate the deployment for globalization of its business and is expected to achieve faster growth in 2024.

APPRECIATION

On behalf of the Board, I would like to express my gratitude to our shareholders for their trust, support and understanding, as well as to all staff for their dedication and diligence.

The Group continues to focus on developing specialized medicines where its strengths lie so as to build up its brand in specialist therapeutic areas. The major therapeutic areas of the Group include oncology medicines, liver disease medicines, respiratory system medicines, surgery/analgesia medicines, cardio-cerebral vascular medicines and others.

CONTINUING OPERATIONS (COMPARATIVES ARE RESTATED)

ONCOLOGY MEDICINES

For the year ended 31 December 2023, the sales of oncology medicines amounted to approximately RMB8,800.51 million, representing approximately 33.6% of the Group's revenue, a decrease of approximately 4.2% over last year.

LIVER DISEASE MEDICINES

For the year ended 31 December 2023, the sales of liver disease medicines amounted to approximately RMB3,823.92 million, representing approximately 14.6% of the Group's revenue, a decrease of approximately 0.4% over last year.

RESPIRATORY SYSTEM MEDICINES

For the year ended 31 December 2023, the sales of respiratory medicines amounted to approximately RMB2,967.38 million, representing approximately 11.3% of the Group's revenue, an increase of approximately 1.4% over last year.

SURGERY/ANALGESIA MEDICINES

For the year ended 31 December 2023, the sales of surgery/analgesia medicines amounted to approximately RMB3,749.38 million, representing approximately 14.3% of the Group's revenue, an increase of approximately 9.0% over last year.

CARDIO-CEREBRAL VASCULAR MEDICINES

For the year ended 31 December 2023, the sales of cardio-cerebral vascular medicines amounted to approximately RMB2,747.16 million, representing approximately 10.5% of the Group's revenue, an increase of approximately 2.5% over last year.

OTHERS

For the year ended 31 December 2023, the sales of others amounted to approximately RMB4,111.06 million, representing approximately 15.7% of the Group' revenue, an increase of approximately 4.0% over last year.

Management Discussion and Analysis

DISCONTINUED OPERATIONS

With the disposal of the entire equity interests held by the Group in Chia Tai Tongyong Pharmaceutical Co., Ltd. ("CT Tongyong"), Suzhou Tianqing Xingwei Medicines Co., Ltd., Lianyungang Chia Tai Tianqing Medicines Co., Ltd. and Zhejiang Tianqing Zhongwei Medicines Co., Ltd., and upon the board of directors (the "Board") of the Company resolved to adopt a plan to dispose the equity interest in CP Pharmaceutical Qingdao Co., Ltd. ("CP Qingdao") in December 2023 (collectively referred to as the "Target Group"), in accordance with Hong Kong Financial Reporting Standard 5, the Target Group has been classified as discontinued operations and CP Qingdao's underlying assets and liabilities have been classified as "Assets of a disposal group classified as held for sale" and "Liabilities directly associated with assets classified as held for sale" as at 31 December 2023.

In 2023, the Target Group earned profit of approximately RMB484.76 million, as compared to the profit of approximately RMB484.47 million for 2022, and was included in non-operating items.

Details of the disposal has been set out in note 12 to the financial statements.

ADJUSTED NON-HKFRS PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT

Addition information is provided below to reconcile profit attributable to the owners of the parent and adjusted non-HKFRS profit attributable to the owners of the parent. The reconciling items principally adjust for the impact of discontinued operations, share of profits and losses of associates and a joint venture (net of related tax and non-controlling interests), one-off adjustments for the impairment and fair value changes of certain assets and liabilities (net of related tax and non-controlling interests), fair value (gains)/losses of current equity investments, share-based payments (net of related non-controlling interests), loss on extinguishment of partial convertible bond, fair value gain of convertible bond embedded derivative component, effective interest expenses, exchange loss/(gain) and fair value (gains)/losses of derivative financial instruments in relation to foreign currency forward contracts of the convertible bond debt component. Adjusted non-HKFRS profit attributable to the owners of the parent for the year increased by approximately 1.5% over last year.

	For the year ended 31 December		
	2023	2022	Change
	RMB'000	RMB'000	%
		(Restated)	
Profit attributable to the owners of the parent	**2,331,939**	2,543,570	-8.3%
Profit attributable to the owners of the parent from discontinued operations	**(440,599)**	(436,942)	
Share of profits and losses of associates and a joint venture (net of related tax and non-controlling interests)	**479,075**	119,711	
One-off adjustments for the impairment and fair value changes of certain assets and liabilities (net of related tax and non-controlling interests)	**100,974**	220,516	
Fair value (gains)/losses of current equity investments, net	**(62,198)**	198,067	
Share-based payments (net of related non-controlling interests)	**15,382**	29,723	
Loss on extinguishment of partial convertible bond	**120,603**	9,591	
Fair value gain of convertible bond embedded derivative component	**(161)**	(75,696)	
Convertible bond debt component of:			
– Effective interest expenses	**10,427**	81,872	
– Exchange loss/(gain)	**80,326**	(248,137)	
– Fair value (gains)/losses of derivative financial instruments in relation to foreign currency forward contracts	**(46,985)**	107,109	
Adjusted non-HKFRS profit attributable to the owners of the parent	**2,588,783**	2,549,384	+1.5%
Basic earnings per share			
Adjusted non-HKFRS profit attributable to the owners of the parent used in the basic earnings per share calculation	**2,588,783**	2,549,384	+1.5%
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation (Shares)	**18,529,064,920**	18,622,248,991	
Basic earnings per share, based on adjusted non-HKFRS profit attributable to the owner of the parent (RMB cents)	**13.97**	13.69	+2.0%

Management Discussion and Analysis

To supplement the consolidated results of the Group prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), adjusted non-HKFRS profit attributable to the owners of the parent is presented in this report as an additional non-HKFRS financial measure to provide supplementary information for better assessment of the performance of the Group's core operations by excluding the impact of certain non-cash items and the contribution of associates and a joint venture. Adjusted non-HKFRS profit attributable to the owners of the parent is to be considered in addition to, and not as a substitute for, measures of the Group's financial performance prepared in accordance with HKFRS.

INVESTMENT IN ASSOCIATES AND A JOINT VENTURE

Sinovac Life Sciences Co., Ltd. ("SINOVAC LS"), a company which is mainly engaged in the R&D, production and sales of human vaccines and in which the Group holds 15.03% equity interests, is the leading unit of BRICS Vaccine R&D Centre in China and titled as Beijing Engineering Technology Research Centre for Preventive Human Vaccines. Its COVID-19 vaccine CoronaVac, with a global supply of more than 2.9 billion doses, has become a true "global public goods". However, as the market environment continues to change, the sales volume of its COVID-19 vaccine decreased and its financial performance was lower compared with last year. SINOVAC LS will continually strengthen its R&D and commercialization capabilities in biological medicine technology and dedicate itself to developing innovative vaccines and related biopharmaceutical products. The profits and losses of associates and a joint venture attributable to the Group was a loss of approximately RMB525.71 million during the year. After deducting related taxes credit and non-controlling interests of approximately RMB46.63 million, the losses of associates and a joint venture totaled approximately RMB479.08 million. As at 31 December 2023, the carrying amount of the investment in SINOVAC LS was approximately RMB11,047.00 million, accounting for approximately 17.4% of the Group's total assets.

EQUITY INVESTMENTS/FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 December 2023, the Group had the non-current equity investments designated at fair value through other comprehensive income (including certain listed and unlisted equity investments) of approximately RMB1,562.87 million (31 December 2022: approximately RMB1,574.81 million) and current equity investments designated at fair value through profit or loss (including certain listed shares investments) of approximately RMB301.08 million (31 December 2022: approximately RMB312.21 million).

In addition, as at 31 December 2023, the Group had the non-current financial assets at fair value through profit or loss of approximately RMB4,699.70 million (31 December 2022: RMB4,104.62 million) and the current financial assets at fair value through profit or loss, including certain wealth management products and trust funds of approximately RMB2,811.96 million (31 December 2022: approximately RMB4,543.24 million), including the wealth management products of China Galaxy Securities (approximately RMB940.53 million), Bank of Jiangsu (approximately RMB501.29 million), China Securities Co., Ltd. (approximately RMB475.57 million), Bank of Nanjing (approximately RMB240 million) and other banks. The wealth management products mainly consisted of principal-guaranteed products with floating return and relatively lower risk of default. All principal and interests will be paid together on the maturity date. The Board of the Company believes that the investment in wealth management products and trust funds can strengthen the financial position of the Group and bring the fruitful contribution to the profit of the Group. As at 31 December 2023, the above mentioned wealth management products (approximately RMB2,811.96 million) together with the wealth management products reclassified in other receivables (approximately RMB1,553.26 million), including the wealth management products of China Securities Co., Ltd. (approximately RMB1,300 million), amounted to approximately RMB4,365.22 million in total, representing approximately 6.9% of the total assets of the Group.

Each of the transactions of acquisition or disposal of wealth management products was entered into with third party who was not a connected person (as defined in the Rules ("Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange")) of the Company, and did not constitute a notifiable transaction under Chapter 14 of the Listing Rules as all the applicable percentage ratios were less than 5%, calculated either on a standalone basis or by aggregation of the transactions with the same counterparty pursuant to the Rule 14.22 of the Listing Rules.

For the year ended 31 December 2023, the Group recorded fair value gain (net) of the current equity investments of approximately RMB62.20 million. The Board believes that the investment in equity investments and financial assets can diversify the investment portfolio of the Group and achieve a better return to the Group in future.

R&D

The Group has continued to focus its R&D efforts on new medicines in the four therapeutic areas of oncology, liver diseases, respiratory system and surgery/analgesia. As at the end of the reporting period, the Group had 145 products under development, including 60 oncology products, 9 liver disease products, 31 respiratory system products, and 15 surgery/analgesia products, of which 67 were Category I innovative products.

The Group has always attached the utmost importance to R&D and has continuously improved its R&D capabilities and speed by adopting the R&D concept of combining independent innovation, collaborative development, and the development of both innovative and generic drugs. It views R&D as the foundation for its sustainable development and has continued to increase R&D investment. For the year ended 31 December 2023, it incurred total R&D expenses of approximately RMB4,704.27 million, accounting for approximately 18.0% of the Group's revenue, most of which was charged to the statement of profit or loss. During the reporting period, innovative drugs and biological drugs accounted for more than 77% of the total R&D investment, and the amount of investment increased by approximately 10% year-on-year. The oncology therapeutic area accounted for approximately 71% of the total R&D investment, and the amount of investment increased by more than 1% year-on-year.

The Group also attaches tremendous importance to the protection of intellectual property rights and encourages its member enterprises to file patent applications in order to enhance the Group's core competitiveness. During the reporting period, the Group filed 841 new patent applications and received 264 patent invention approvals. As at the end of the reporting period, the Group had accumulated 4,311 effective patents and patent applications and obtained 1,595 patent invention approvals.

INVESTOR RELATIONS

The Group is committed to maintaining high standards of corporate governance to ensure its long-term sustainable development. It also values communication with shareholders and investors. During the period under review, the Group seized the opportunity to resume offline activities after the pandemic subsided to actively reach out to a wide range of investors in various regions through different channels to maintain close and good relationships and ensure adequate two-way communication with investors. While ensuring that investors had a thorough understanding of its latest business developments and strategies, the Group was also able to gauge the valuable views and feedback of the investment community through its interaction with investors to help raise corporate governance standards.

In the past year, the Group continued to proactively disclose the latest information on its business development to investors. The Group held investor presentations in late March and late August to explain in detail its 2022 annual results, 2023 interim results and latest business updates, which attracted the participation of hundreds of investors, including analysts and fund managers. On 1 August 2023, the Group held an Investor Day on Innovative Platforms and Products to introduce its leading innovative R&D technology platform and blockbuster innovative products, which was enthusiastically received by the market. The Group also issued results press releases to the media in a timely manner to keep retail investors informed about its latest business status and prospects through medial channels. In addition to results press releases, the Group also released information through the media, such as the Company's share repurchase and the purchase of shares under its restricted share award scheme, in the hope of strengthening the confidence of shareholders and investors by maintaining a high level of transparency.

In addition, during the year, the Group participated in many investment summits and roadshows hosted by major investment banks and securities companies, including the Bank of America, Citi, J.P. Morgan, Morgan Stanley, UBS, Goldman Sachs, CICC, CITIC, CSC Financial, HTSC, Haitong and China Industrial Securities, to help investors understand its business development and competitive advantages.

The Group publishes its annual reports, interim reports, disclosures and circulars in a timely manner both on its corporate website and on the website of the Hong Kong Exchanges and Clearing Limited. Moreover, the Group voluntarily issues announcements to inform shareholders and investors of its latest business endeavors to maintain a high level of corporate transparency and market interest.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's liquidity remains strong. During the year, the Group's primary sources of funds were cash derived from operating activities, issuance of convertible bonds and bank borrowings. On 17 February 2023, the Company redeemed a principal amount of EUR487.582 million in aggregate of the convertible bonds. On 31 May 2023, the Company prepaid the senior term loan of USD500 million with variable interest rate under the facility agreement entered into by the Company on 1 December 2021 to reduce the finance costs. As at 31 December 2023, the Group's cash and bank balances classified under current assets were approximately RMB9,451.88 million (31 December 2022: approximately RMB12,066.22 million). Bank deposit classified under non-current assets were approximately RMB7,312.89 million (31 December 2022: approximately RMB6,352 million).

CAPITAL STRUCTURE

As at 31 December 2023, the Group had short term loans of approximately RMB11,135.94 million (31 December 2022: approximately RMB6,217.15 million) and had long term loans of approximately RMB1,057.94 million (31 December 2022: approximately RMB3,933.86 million). Debt component of the convertible bonds amounted to approximately RMB16.48 million as at 31 December 2023 (31 December 2022: RMB3,446.26 million). In addition, total lease liabilities (classified under current and non-current liabilities) amounted to approximately RMB369.88 million as at 31 December 2023 (31 December 2022: RMB384.69 million).

CHARGE ON ASSETS

As at 31 December 2023, the Group had charge on assets of approximately RMB1,494 million (31 December 2022: approximately RMB2,113.50 million).

CONTINGENT LIABILITIES

As at 31 December 2023, the Group and the Company had no contingent liabilities (31 December 2022: Nil).

ASSETS AND GEARING RATIO

As at 31 December 2023, the total assets of the Group amounted to approximately RMB63,604.82 million (31 December 2022: approximately RMB64,064.28 million) whereas the total liabilities amounted to approximately RMB25,434.87 million (31 December 2022: approximately RMB26,120.74 million). The gearing ratio (total liabilities over total assets) was approximately 40.0% (31 December 2022: approximately 40.8%). The Group was in a net cash position of approximately RMB4,184.53 million (31 December 2022: approximately RMB4,436.25 million), being the aggregate of cash and bank balances classified under current assets and bank deposit classified under non-current assets less the aggregate of short term loans, long terms loans, debt component of the convertible bonds and total lease liabilities.

EMPLOYEE AND REMUNERATION POLICIES

The Group had 25,806 employees as at 31 December 2023 and remunerates its employees based on their performance, experience and the prevailing market rates. Other employee benefits include mandatory provident fund, insurance and medical coverage, subsidized training programmes as well as employee share incentive schemes. Total staff cost (including Directors' remuneration and equity-settled share-based payments) in selling and distribution costs and administrative expenses for the year was approximately RMB4,353.03 million (2022: approximately RMB4,664.54 million).

The Group adopted a share option scheme on 15 June 2023 (the "2023 Share Option Scheme") and a share award scheme on 5 January 2018 (the "2018 Share Award Scheme"), both of which will provide incentive to retain and encourage the selected participants for the continual operation and development of the Group. No option in respect of the shares of the Company ("Shares") had been granted under the 2023 Share Option Scheme up to 31 December 2023. During the year ended 31 December 2023, 6,854,834 Shares had been granted to a total of 15 selected participants under the 2018 Share Award Scheme, and as of 31 December 2023, 454,093,043 Shares were held on trust by the trustee responsible for administering the 2018 Share Award Scheme.

On 3 October 2023, the Board approved a share purchase plan pursuant to which the Company would, subject to market conditions, (i) buy back Shares from the open market (the "Share Buy-back") and (ii) under the 2018 Share Award Scheme, instruct the trustee to purchase Shares from the open market (the "Incentive Share Purchase"), for an aggregate consideration of not exceeding HK$1 billion (the "Share Purchase Amount") over the following 12 months. Up to 31 December 2023, approximately HK$141.42 million of the Share Purchase Amount has been utilised for the Share Buy-back and the Incentive Share Purchase under this plan.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

Most of the assets and liabilities of the Group were denominated in Renminbi, US dollars, Euro and HK dollars. The Group has hedged part of the Euro risk in financial liabilities by entering into foreign exchange forward contracts, and hedged part of the RMB risk in net foreign operations by borrowing RMB loan and will continue to closely monitor the net foreign exchange exposure to reduce the impact of foreign exchange fluctuations.

ENVIRONMENTAL, SOCIETY AND GOVERNANCE ("ESG")

Sino Biopharm is committed to promoting the harmonious development of the Company, society and the environment through high-quality ESG management. Such high-quality ESG management has also helped the Group to practice its operating philosophy of "For the Country, for the People, for the Company", to respond to the United Nations Sustainable Development Goals and to contribute to the Healthy China initiative, thereby enabling it to seek health and well-being for more patients and allow more diseases to be treated. The Group also strives to control risks and seize opportunities to drive the harmonious development of the Company, its employees, society and the environment, resolutely fulfill its corporate mission, support its sustainable development, and create long-term value for itself and its partners in various sectors.

In 2023, the Group's ESG management system continued to function effectively. Under the leadership of the Board of Directors and management, the Group continued to implement ESG management and optimize the internal monitoring of ESG risks. It also proactively responded to international cutting-edge ESG concepts and took substantive actions to address climate risks and apply ISSB standards. At the same time, the Group increased its efforts to promote the digital integration of ESG management to further enhance the standard and efficiency of ESG management. As at the end of the reporting period, 651 ESG indicators were managed through the Group's digital ESG platform, covering the ESG key performance management of all major member companies.

Management Discussion and Analysis

In 2023, the Group fully considered the concerns of all key stakeholders and commenced the systematic management of important ESG issues such as innovation and R&D, product quality and safety, universal health care, climate change response, business ethics, and talent development. Significant progress has been made in these areas, including but not limited to:

- Ensuring the effective operation of the full-lifecycle quality and safety management system, with no material quality and safety or product recall issues occurring during the year;

- Continuing to build an environmentally friendly enterprise. The Group's key member company CT Tianqing was recognized as a "National Green Factory", while the other two key member companies, CT Qingjiang and NJCTT, were honored with the "Provincial Green Factory" title. CT Tianqing and its subsidiary Lianyungang Runzhong Pharmaceutical Co., Ltd. were named "2023 Leading Enterprise in Green Development in Jiangsu Province";

- Actively responding to the challenges of climate change and continuing to promote the "Sino Biopharm Carbon Neutrality Planning Project". The Group has completed the 2022 and 2023 carbon footprint verifications on two pilot units, and is currently setting carbon neutrality goals and planning roadmaps;

- Actively shouldering the core corporate responsibilities of the industry chain. In 2023, the Group and its member companies completed the establishment of a responsible supply chain management system, set standards for tiered ESG management of suppliers, and achieved a 100% implementation rate on codes of conduct for key suppliers and a signing rate of over 90%;

- Building an equal, inclusive and diversified workplace culture and launching an employee development policy to facilitate the growth of both the Company and its employees. The Group also won the "2023 Forbes China Best Employer" and "2023 Forbes China Most Digitally Responsible Employer of the Year" awards;

- Giving back to society with care and responsibility. The Group continued to engage in disaster relief, rural revitalization, universal health care, education donations and charitable works.

During the year, the Group's ESG efforts were widely recognized by various sectors at home and abroad. As for ESG ratings, the Group's MSCI ESG Ranking was upgraded to "A" and it was included among the top 9% of the global pharmaceutical industry in terms of S&P CSA rating for the second consecutive year. Its CDP climate change rating was also upgraded to "B". Regarding professional recognition, the Group was included in CCTV's "China Top 100 ESG Pioneer Listed Companies" list and S&P Global's Sustainability Yearbook (China). It also won a number of major awards, including "2023 Forbes China ESG Innovative Enterprise", "ESG Top List – Governance" in the Bloomberg Green 2023 ESG 50, and "Social Innovation Contribution Award" in the "2023 Yicai The Corporate Social Responsibility Ranking in China".

The Group believes that high standards of ESG management are important as they provide a critical foundation for promoting quality development and creating long-term value for the Group and its partners in various sectors. Details of the Group's ESG management in 2023 will be presented in the ESG report to be published at a later date.

Corporate Governance Report

Sino Biopharmaceutical Limited is pleased to present the Corporate Governance Report. The Company is committed to achieving high standards of governance that properly protects and promotes the interests of all shareholders and enhances corporate value and accountability.

For the year ended 31 December 2023, the Company has applied the principles of and complied with all the Code Provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), except for the deviation from Code Provision C.1.6 in relation to attendance of the annual general meeting of the Company (the "**AGM**") by the Independent Non-executive Directors ("**INED(s)**") of the Company. Two INEDs were unable to attend the AGM held on 15 June 2023 due to their other business engagements.

This report describes our corporate governance code and explains the application of the CG Code and any deviation from the CG Code, if any. For information relating to the Company's environmental and social performance, please refer to the Company's 2023 Environmental, Social and Governance Report separately posted on the websites of the Company and The Stock Exchange of Hong Kong Limited ("**Stock Exchange**").

A. BOARD OF DIRECTORS

THE BOARD

The board of directors (the "**Board**") is accountable to the shareholders for leadership and control of the Company and is collectively responsible for promoting the success of the Company and its businesses by directing and supervising the Company's affairs. The Board focuses on overall corporate strategies and policies with particular attention paid to the financial performance and sustainable development of the Group.

Adhering to its principle of "Benefiting the country, Benefiting the people, and Benefiting the enterprise", the Company has always focused on innovation and provision of services to patients, committed to becoming a global leader in pharmaceuticals. These principle and vision are the basic principles and directions for governing the daily work of employees at all levels of the Company, running through every part of the Company's business. Always acting with integrity and leading by example, the Board keeps promoting the construction and improvement of a core values, cultural ethos, and actions-oriented and multi-dimensional cultural system, to foster a corporate atmosphere of integrity, foresight, innovation, commitment, efficiency, and collaboration. This cultural system is to enhance the innovativeness and sense of belonging and responsibility of employees, facilitating the achievement of the Company's strategic development objectives.

The Company has a rigorous and ongoing strategic planning process to identify and assess the risks and opportunities that it might face and to develop a planned course of action to generate sustainable long-term value for its shareholders. Details of the implementation of the Company's strategic initiatives and priorities in 2023 are available in the "Chairwoman's Statement" and "Management Discussion and Analysis" sections of this annual report.

The Board has determined that certain matters such as strategic planning, significant transactions and annual budget should be retained for the Board's approval. It has formalised the functions reserved to the Board to achieve a clear division of the responsibilities of the Board and the management. The Board has delegated its responsibilities to senior management to deal with day-to-day operations and reviewed those arrangements on a periodic basis. Management then reports back to the Board and obtains prior approval before making decisions for key matters or entering into material commitments on behalf of the Company. The Board has conducted regular review on the contribution required from a director to perform his/her responsibilities to the Company, and whether he/she is spending sufficient time performing them.

To maximise the efficiency of the Board and to encourage active participation and contribution by Board members, the Board has established the Executive Board Committee (the "**EBC**"), the Audit Committee (the "**AC**"), the Remuneration Committee (the "**RC**"), the Nomination Committee (the "**NC**"), and the Environmental, Social and Governance Committee (the "**ESGC**") with specific terms of reference, which are on terms no less exacting than those set out in the CG Code, to assist in the execution of their duties. The written terms of reference of the committees are reviewed and amended, if necessary, from time to time on the committees' structure, duties and memberships, and those of each of the AC, the RC and the NC have been posted on the websites of the Company and the Stock Exchange.

The Company Secretary shall, where appropriate and necessary, attend all meetings of the Board/committees to advise on corporate governance, and statutory compliance matters. All directors have access to the Company Secretary who is responsible for the Company's compliance with the continuing obligations of the Listing Rules, Code on Takeover and Mergers and Share Repurchases, Securities and Futures Ordinance, Companies Ordinance and other applicable laws, rules and regulations.

All directors are given opportunities to include matters to be discussed in the agenda of the Board/committees meetings. The Company Secretary is delegated with the responsibility to prepare the agenda and, where appropriate, take into account any matters proposed by each director/committee member for inclusion in the agenda.

The Board meets regularly and at least four board meetings are scheduled annually at approximately quarterly intervals. Ad-hoc meetings are also convened when they are considered necessary. Directors are encouraged to participate actively either in person or through electronic means of communications. Notices of regular Board/committees meetings were given at least 14 days before the date of meeting. For all other Board/committees meetings, reasonable notices were given.

Other than exceptional circumstances, an agenda accompanied by any related materials are circulated to all directors in a timely manner and at least 3 days before the date of the scheduled meeting. Where queries are raised by directors, response should be given as promptly and fully as possible within a reasonable time.

Minutes of the Board/committees meetings are recorded in details for the matters considered by the participants of such meetings and the decisions reached, including concerns raised by directors or dissenting views expressed. Draft and final versions of minutes are circulated to relevant directors or committee members within a reasonable time after the meetings are held and taken as the true records of the proceedings of such meetings. They are kept by the Company Secretary or Secretary of the committees and are open for inspection at any reasonable time on reasonable notice by any director. All directors are entitled to have access to board papers and related materials unless there are legal or regulatory restrictions on disclosure due to regulatory requirements.

Directors are provided with complete and adequate explanation and information on a timely basis to enable them to make an informed decision or assessment of the Group's performance, position and prospects and to discharge their duties and responsibilities. The directors, in order to properly discharge their duties, are given access to independent professional advisers, when necessary, at the expense of the Company. Sufficient time are allowed for discussion of key issues in Board meetings and directors with different views are encouraged to voice their concerns to ensure that the necessary checks and balances consistent with sound corporate governance practices are in place.

If a director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with by way of a physical Board meeting and the interested director shall not vote nor shall he/she be counted in the quorum present at the relevant meeting. INEDs who have no interests in the transaction shall be present at that Board meeting.

BOARD COMPOSITION

As at 31 December 2023, the Board consisted of a total of seven executive directors, including the Chairwoman and the Chief Executive Officer ("**CEO**"), and five INEDs.

Position		Name
Chairwoman	:	Ms. Tse, Theresa Y Y
Executive directors	:	Mr. Tse Ping
	:	Ms. Cheng Cheung Ling
	:	Mr. Tse, Eric S Y (CEO)
	:	Mr. Tse Hsin
	:	Mr. Tian Zhoushan
	:	Ms. Li Mingqin
INEDs	:	Mr. Lu Zhengfei
	:	Mr. Li Dakui
	:	Ms. Lu Hong
	:	Mr. Zhang Lu Fu
	:	Dr. Li Kwok Tung Donald

The attributes, skills and expertise among the Board members have a balanced mix of core competencies in areas such as pharmaceutical, accounting and finance, business and management and marketing strategies.

INEDs constituting more than one-third of the total number of the Board members have contributed valuable independent views and judgement for the Board's deliberation and decisions. Such independent views and judgement carry weight in the Board's decision-making process. The presence and participation of the INEDs enables the Board to maintain high standard of compliance in financial and other statutory reporting, and provide adequate checks and balances to safeguard the interests of the Company and its shareholders as a whole. The INEDs are highly skilled professionals with a broad range of expertise and experience in the fields of accounting and finance, business, and medicine, and they meet the requirements of independence under the Listing Rules. The Board has received from each of them a confirmation of independence as required by the Listing Rules. For the year ended 31 December 2023, the Board is of the view that adequate independent views and input were available to the Board, based on the results of an annual review conducted by the Board.

The INEDs have the same duties of care and skill and fiduciary duties as the executive directors. The functions of INEDs include, but not limited to:

- participating in Board meetings to bring an independent judgement to bear on issues of corporate strategy, corporate performance, accountability, resources, key appointments and standard of conducts;
- taking the lead where potential conflicts of interests arise;
- serving and actively participating in committees, if invited;
- attending general meetings of the Company and developing a balanced understanding of the views of shareholders; and
- scrutinising the Group's performance in achieving agreed corporate goals and objectives and monitoring the reporting of results.

CORPORATE GOVERNANCE FUNCTIONS

The Board shall be responsible for the following functions:

- developing and reviewing the Company's policies and practices on corporate governance;
- reviewing and monitoring training and continuous professional development of directors and senior management;
- reviewing and monitoring the Company's policies and practices in compliance with legal and regulatory requirements;
- reviewing the Company's compliance with the CG Code, including disclosure in the Corporate Governance Report;
- developing and reviewing the code of conduct and compliance manual, if any, applicable to employees and directors;
- doing any such things to enable the Board committees to discharge their duties and functions;
- conforming to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the constitution of the Company or imposed by legislation; and
- considering and making recommendations on any other corporate governance issues.

CHAIRWOMAN AND CHIEF EXECUTIVE

The CG Code Provision C.2.1 stipulates that the roles of Chairwoman and chief executive should be separate and should not be performed by the same individual. Ms. Tse, Theresa Y Y is the Chairwoman and Mr. Tse, Eric S Y is the CEO of the Company.

The Chairwoman is responsible for overseeing the operations of the Board and formulating overall strategies and policies of the Company, and focuses on international business development and capital market operations of the Company. The Chairwoman also seeks to ensure that all directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner.

The CEO is responsible for managing the Group's business and operations, and focuses on operations improvement, organizational optimization and efficiency enhancement of all subsidiaries of the Group.

The relationship of each of Ms. Tse, Theresa Y Y and Mr. Tse, Eric S Y with other members of the Board is provided in the Directors and Senior Management Profile section on pages 57 to 62 of this annual report.

APPOINTMENT, RE-ELECTION AND REMOVAL

The Company has formal and proper procedure for consideration of the appointment of new directors to the Board and the resignation of any director.

The Executive Directors have not been appointed for a specific term while each of the INEDs has been appointed for a term of two years. All Directors shall be subject to retirement by rotation and re-election at the AGM in accordance with the articles of association of the Company (the "**Articles**"), the laws of the Cayman Islands and the Listing Rules so far as the same may be applicable. The Articles provide that (i) one-third of the directors for the time being or, if their number is not a multiple of three, the number nearest to but not less than one-third shall be subject to retirement by rotation provided that every director shall be subject to retirement by rotation at least once every three years; and (ii) the directors to retire by rotation shall include any director who wishes to retire and not to offer himself/herself for re-election. The retiring directors shall be those who have been longest in office since their last re-election or appointment.

The name and biographical details of the directors who will offer themselves for re-election at the forthcoming AGM are set out in a circular accompanying the notice of meeting, which will be despatched together with the annual report, to assist shareholders in making an informed decision on their elections. Where INEDs who have served more than nine years are retained, sufficient details regarding the INEDs' suitability for re-appointment are disclosed in the circular.

TRAINING AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Directors

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

Pursuant to CG Code Provision C.1.4, all directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the year under review, all directors, being seven Executive Directors, namely Ms. Tse, Theresa Y Y, Mr. Tse Ping, Ms. Cheng Cheung Ling, Mr. Tse, Eric S Y, Mr. Tse Hsin, Mr. Tian Zhoushan, and Ms. Li Mingqin, and five INEDs, namely Mr. Lu Zhengfei, Mr. Li Dakui, Ms. Lu Hong, Mr. Zhang Lu Fu and Dr. Li Kwok Tung Donald, have participated in continuous professional development by reading relevant materials on the topics related to regulatory updates and corporate governance and obtained monthly updates on the financial performance and financial position of the Company.

Company Secretary

The Company Secretary is responsible for facilitating the Board process, as well as communications among the Board members, shareholders and management. Mr. Chan Oi Nin Derek has served as the Company Secretary since 2015. He is a full-time employee of the Company and possesses the professional qualifications as required under Rule 3.28 of the Listing Rules. Mr. Chan, aged 56, has over 20 years of work experience in the fields of accounting, auditing and company secretary and before joining the Company, was the company secretary of another company listed on the Stock Exchange. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants, and received a Bachelor of Science degree from the Chinese University of Hong Kong in 1989 and an MBA degree from Monash University in 1995. He has taken no less than 15 hours of relevant professional training during the year under review to update his knowledge and skills in compliance with Rule 3.29 of the Listing Rules.

COMMITTEES

The AC was established on 19 September 2000. The EBC and the RC were established in October 2005, and the NC and the ESGC was set up on 30 March 2012 and 31 August 2021, respectively.

Executive Board Committee

During the year ended 31 December 2023, the EBC consisted of Ms. Tse, Theresa Y Y as chairwoman and Mr. Tse Ping, Ms. Cheng Cheung Ling, Mr. Tse, Eric S Y, and Mr. Tse Hsin as members.

The EBC meets as and when required to oversee the day-to-day management of the Group.

All resolutions or recommendations approved by the EBC will be reported to the Board, unless there are legal or regulatory restrictions.

Remuneration Committee

Mr. Zhang Lu Fu served as the chairman and Mr. Lu Zhengfei and Ms. Lu Hong served as members of the committee.

The principal functions of the RC include:

- recommending to the Board on the policies and structure of the remuneration of directors of the Company and senior management of the Group;
- recommending to the Board on the remuneration packages of individual executive directors and senior management;
- reviewing and approving their performance-based remuneration;
- reviewing the compensation to directors and senior management in connection with any loss or termination of their office or appointment; and
- ensuring that no director or any of his/her associates are involved in deciding his/her own remuneration.

The RC held one meeting during the year to discuss and review the basis of the remuneration policies and packages of individual directors of the Company and senior management of the Group. Emoluments of directors are determined by reference to the skills, experiences, responsibilities, employment conditions and time-commitment in the Group's affairs and performance of each director as well as salaries paid by comparable companies and the prevailing market conditions.

Information relating to the remuneration of each director for the year under review is set out in note 9 to the financial statements of this annual report.

Audit Committee

The AC consisted of Mr. Lu Zhengfei as chairman, and Mr. Li Dakui, Ms. Lu Hong, and Dr. Li Kwok Tung Donald as members. The members together have sufficient accounting and financial management expertise and legal and business experience to discharge their duties.

The major duties and responsibilities of the AC are set out clearly in its terms of reference, which include:

- considering and recommending the appointment, re-appointment and removal of external auditors;
- approving the remuneration and terms of engagement of external auditors;
- discussing with external auditors the independence and reporting obligations of auditors and the nature and scope of audit before the audit commences;
- monitoring the integrity of financial statements and reviewing the interim and annual financial statements and reports before submission to the Board;

- reviewing the Group's financial controls, internal control and risk management systems;
- considering any findings of major investigations for internal control matters as delegated by the Board or on its own initiative and management's response;
- reviewing external auditors' management letter or any material queries raised by the auditors to management in respect of the accounting records, financial accounts or systems of control and management's response, and ensuring that the Board will provide a timely response to the issues raised; and
- discussing with management to ensure that management has reviewed if there is adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

The AC performed the following work during the year under review:

- met with management and external auditors to review and discuss the financial statements for the year ended 31 December 2023;
- reviewed with management the unaudited financial statements for the six months ended 30 June 2023;
- met with external auditors to review the external auditors' plan for statutory audit and engagement letter;
- recommended to the Board, for the approval by shareholders, of the re-appointment of auditors;
- reviewed the findings and recommendations of the internal audit department on the operations and performance of the Group;
- reviewed the risk management and internal control systems of the Group and the effectiveness of the Group's internal audit function; and
- discussed with management to ensure that the Board had conducted an annual review such that there was adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

Nomination Committee

The NC consisted of Ms. Tse, Theresa Y Y as chairwoman and Mr. Tse Ping, Mr. Lu Zhengfei, Ms. Lu Hong, Mr. Zhang Lu Fu, and Dr. Li Kwok Tung Donald as members.

The NC has set out in its terms of reference the major duties and responsibilities as follows:

- formulating a formal and transparent procedure for developing nomination policies for approval by the Board, which shall take into consideration factors such as skills, knowledge, experiences, length of service, description of the role and capabilities required for a particular appointment;

- reviewing the structure, size and composition (including the mix of skills, knowledge, experience and length of service and diversity needed) of the Board at least annually; and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- making recommendation to the Board on formulation of the board diversity policy and reviewing the policy from time to time to ensure its continued effectiveness;

- establishing guidelines for the recruitment of the chief executive and senior management and identifying leadership needs of and succession planning for the Company in relation to both directors and other senior executives;

- identifying individuals suitably qualified to become board members or make recommendations to the Board on the selection of individuals nominated for directorship. Academic and professional qualifications, business experience, expertise and knowledge as well as other requirements under the Listing Rules will be assessed to determine whether the nomination is suitable;

- assessing the independence of the INEDs and reviewing the INEDs' annual confirmations on their independence;

- making recommendations to the Board on the re-appointment of any INED at the conclusion of his/her specified term of office; and

- making recommendations to the Board on matters relating to any actual or potential conflict of interests of directors (including prohibition of voting by the interested director).

During the year under review, by way of exchanging correspondence and reviewing the relevant documents, the NC had (i) reviewed the structure, size and composition of the Board as well as the effectiveness of the implementation of the Company's board diversity policy, (ii) assessed the independence of all INEDs and reviewed the annual confirmation of independence provided by the INEDs, and (iii) reviewed the profiles and contributions of the retiring directors and made recommendation to the Board regarding re-election of directors.

Environmental, Social and Governance Committee

The ESGC consists of Ms. Cheng Cheung Ling as chairwoman and Ms. Li Mingqin and Dr. Li Kwok Tung Donald as members.

The major duties and responsibilities of the ESGC are set out in its terms of reference, which include:

- proposing and recommending to the Board on the Company's environmental, social and governance ("**ESG**") and sustainability objectives, strategies, priorities, initiatives, goals and targets;
- overseeing, reviewing and evaluating actions taken by the Group in furtherance of the ESG and sustainability priorities, goals and targets, including coordinating with the business units and operating subsidiaries of the Company and ensuring that their operations and practices adhere to the relevant priorities and goals;
- reviewing and reporting to the Board on ESG and sustainability risks and opportunities, and monitoring, evaluating and reviewing emerging ESG and sustainability-related issues, trends and best practices that could impact the business operations and performance of the Group;
- considering the impact of the Company's ESG and sustainability on its stakeholders, including employees, shareholders, local communities and the environment; and
- reviewing and advising the Board on the Company's public communication, disclosure and publications (including the ESG Report) regarding its ESG and sustainability performance.

During the year under review, the ESGC guided and oversaw the work of the ESG Work Management Committee to continuously improve the Company's ESG risk response and internal management systems and organize the implementation of the Board's ESG strategies and requirements. Led by the ESGC, the Company proactively implements its "CARE" ESG governance strategy, with "Cure, Accessibility of drugs, Relationship, and Environmental friendliness" as the core directions, promoting the organic integration of ESG visions and development strategies of the Company on an ongoing basis. The Company laid down its "2023 ESG Work Plans", focusing on "taking its ESG management system to greater depth", "optimizing ESG disclosure", "enhancing dedicated ESG governance" and "promoting ESG philosophy and culture", and set 11 annual ESG-related key tasks and goals. With the various ESG tasks effectively implemented, the Company has made great strides in its overall ESG management standard and performance.

BOARD DIVERSITY POLICY

The board diversity policy of the Company sets out the approach for achieving diversity of the Board, including but not limited to the appropriate balance of skills, experience and diversity of perspectives that are required to support the attainment of the Company's strategic objectives and the sustainable development of the Company. Board diversity is regarded by the Company as an essential component for wider and more comprehensive corporate governance framework.

The NC of the Company may make recommendations to the Board for identifying the necessary criteria when considering appointment of new directors of the Company. Selection of appropriate candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on the anticipated merit and contribution that the selected candidate will bring to the Board.

The NC has reviewed annually the Company's diversity profile including the gender distribution of directors and other measurable objectives to ensure the continued effectiveness of the board diversity policy of the Company. The current composition of the Board is characterized by a balanced mix of gender (8 males and 4 females), age (ranging from in their early 30s to in their 70s), and professional experience and expertise. The NC shall make recommendation to the Board on adjustments for the board diversity policy if necessary to ensure the policy best suits the needs of the Company. For details of the Group's workforce diversity, please refer to the 2023 Environmental, Social and Governance Report of the Company.

BOARD AND COMMITTEE MEETINGS ATTENDANCE

The Board held four meetings in 2023. Details of the attendance of individual director at the Board meetings, committee meetings and general meeting during the year under review are set out below:

	Number of meeting(s) attended/held			
Directors	**The Board**	**Audit Committee**	**Remuneration Committee**	**Annual General Meeting**
Executive Directors				
Ms. Tse, Theresa Y Y	4/4	N/A	N/A	1/1
Mr. Tse Ping	4/4	N/A	N/A	1/1
Ms. Cheng Cheung Ling	4/4	N/A	N/A	1/1
Mr. Tse, Eric S Y	4/4	N/A	N/A	1/1
Mr. Tse Hsin	4/4	N/A	N/A	1/1
Mr. Tian Zhoushan	3/4	N/A	N/A	1/1
Ms. Li Mingqin	4/4	N/A	N/A	1/1
Independent Non-executive Directors				
Mr. Lu Zhengfei	4/4	2/2	1/1	0/1
Mr. Li Dakui	3/4	2/2	N/A	0/1
Ms. Lu Hong	4/4	2/2	1/1	1/1
Mr. Zhang Lu Fu	4/4	N/A	1/1	1/1
Dr. Li Kwok Tung Donald	4/4	1/2	N/A	1/1
Number of meeting(s)	4	2	1	1

SECURITIES TRANSACTIONS BY DIRECTORS AND OFFICERS

The Company has adopted a code of conduct regarding securities transactions by directors and senior management/employees (the "**Code**") on terms no less exacting than the Model Code for Securities Transactions by Directors as set out in Appendix C3 to the Listing Rules (the "**Model Code**"). Having made specific enquiry of all directors, it was confirmed that for the year under review, all directors complied with the required standard set out in the Model Code and the Code regarding securities transactions by directors adopted by the Company.

Management/employees as defined in the Code who because of their employment possess any inside information at any time are prohibited from dealing in securities of the Company to the same extent as directors.

INSURANCE COVER FOR DIRECTORS' LIABILITIES

The Company has arranged directors' and officers' liability insurance for all directors and senior officers against legal liability arising from their performance of duties. The insurance coverage is reviewed on an annual basis.

REMUNERATION OF SENIOR MANAGEMENT

There were 4 employees classified as senior management for the year ended 31 December 2023. The details of the remuneration of senior management were disclosed as follows:

	Amount of remuneration for the year			
	RMB1,000,001 – RMB1,500,000	RMB1,500,001 – RMB2,000,000	Above RMB2,000,000	Total number
Number of senior management	1	1	2	4

B. ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

The Board acknowledges its responsibility for preparing the accounts which give a true and fair view of the state of affairs of the Company and the Group, with supporting assumptions or qualifications as necessary. The directors also ensure the timely publication of the financial statements of the Company.

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for managing business and operational risks and maintaining a proper and effective system of internal control to safeguard the Group's assets. The Board (i) oversees the design, implementation and monitoring of the risk management and internal control systems, and evaluates and determines the nature and extent of risks it is willing to take in achieving the Group's business objectives; and (ii) delegates the responsibility of reviewing the effectiveness of the Group's risk management and internal control systems to the AC, which monitors such systems through the Group's internal audit department. The management of various business units is responsible for designing, implementing and monitoring the detailed risk management and internal control procedures, whereas risk owners appointed by the management are responsible for identifying, analysing and prioritising risk issues for further consideration by the management and ensuring that the risk management and internal control procedures are working effectively and risk mitigation actions are implemented timely within the business units.

The internal audit department reviews major operational and financial systems of the Group on a continuing basis and it aims to cover all significant functions within the Group in each financial year. The scope of the internal audit department's review and the audit programmes have been approved by the AC. The department reports directly to the AC and the Chairwoman of the Board, and submits regular reports for their review in accordance with the approved programmes. The external auditor also reports any control issues which are identified in the course of audit or review work to the AC. For the year ended 31 December 2023, the directors through the Audit Committee had conducted an annual review of the effectiveness of the Group's systems of risk management and internal control covering all major functions, including operations, financial reporting, and Listing Rules compliance. Based on the results of the review, the directors considered that such systems were effective and adequate, and no material changes, since the last annual review, in the nature and extent of Group's significant risks and the Group's ability to respond to changes in its business and the external environment were found.

The Group has established guidelines and procedures for the approval and control of expenditure. Operating expenditures are subject to the overall budget control and are controlled by each business unit with approval levels for such expenditures being set by reference to each executive's and officer's level of responsibility. Capital expenditures are subject to overall control within the annual budget review and approval process, and more specific control and approval by the directors are required for unbudgeted expenditures prior to commitment.

The Board had also conducted a review of and was satisfied with the findings on the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit, financial reporting functions as well as those relating to the Group's ESG performance and reporting for the year under review.

INTEGRITY AND GOOD FAITH

The Company is committed to strict compliance with the relevant laws and regulations of China. It continuously enhances its compliance performance and business ethics management through the formulation and implementation of strict business ethics regulations and internal monitoring procedures.

The Company has formulated and implemented the "Anti-commercial Bribery Regulations of Sino Biopharmaceutical Limited", pursuant to which all employees of the Group as well as business partners who have business dealings with the Group are required to perform their duties with integrity and good faith, and any acts of commercial bribery are strictly prohibited. The Group has clearly defined the range and scope of prohibited behaviour and commercial bribery, and prohibits its employees from using financial or other means to bribe any entities or individuals in order to seek business opportunities or competitive advantages. The Group has also formulated detailed anti-corruption measures and controls in areas such as product sales, invoicing, personnel employment, and communication with third parties. For employees who violate the anti-corruption rules and regulations, the Group will make appropriate punitive actions against them or even transfer those suspected of violating the law to the public security authorities depending on the circumstances.

The whistle-blowing process is expressly provided for in the anti-bribery regulations of the Group. If any violation of the regulations is found, it should be reported to the department responsible for compliance in time and the relevant supporting materials should be provided. The Group has established a sound internal investigation mechanism to conduct comprehensive investigation into the reported violations or any compliance risks discovered in regular audit assessments, and the Group shall take corresponding punitive and control measures and rectify the internal control loopholes found in the investigation in a timely manner, in order to continuously enhance the Group's anti-corruption management standard. The legitimate rights of the whistleblowers are under reasonable protection by the anti-bribery regulations.

AUDITORS' REMUNERATION

During the year under review, the remuneration paid to the Group's external auditors is set out as follows:

	Fee paid/ payable for the year (RMB'000)
Services rendered	
Audit services	6,000
Non-audit services	242

C. RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

The Company aims to provide its shareholders with high standards of disclosure and financial transparency through the publication of annual and interim reports, results announcements, other announcements and circulars made through the Company's and Stock Exchange's websites.

The Company has established a comprehensive communication policy with shareholders to ensure that shareholders are provided with timely access to the balanced and understandable information about the Company. The policy has been reviewed annually by the Board to ensure its effectiveness. Based on the results of the review, the process of which included collating feedback from various stakeholders such as shareholders, investors and analysts, the Board considered that the policy was effective and adequate. A copy of the policy is available on the Company's website for public reference.

AGM or other general meetings of the Company provide a useful forum for shareholders to exchange views with the Board. The Chairwoman of the Board as well as the chairmen of the AC and/or RC, or in their absence, members of the committees or senior management of the Company shall be available to answer shareholders' questions. The chairman of the independent board committee shall also attend the general meetings for approving a connected transaction or any transaction that is subject to independent shareholders' approval.

During the year under review, at the 2023 AGM, directors including the CEO were present at the meeting and answered questions raised by shareholders. A representative from the external auditors, Messrs. Ernst & Young, also attended the 2023 AGM and was available to answer shareholders' questions about the conduct of the audit and the preparation and content of the auditors' report. All resolutions at the 2023 AGM were passed by way of poll and the notice of the AGM was sent to shareholders at least 21 clear days before the meeting.

SHAREHOLDERS' RIGHT

Convening Extraordinary General Meeting and Putting Forward Proposals at Shareholders' Meetings

Pursuant to article 58 of the Articles, the Board may whenever it thinks fit call extraordinary general meetings. Any one or more members of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business or resolution specified in such requisition; and such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Proposing a Person for Election as a Director

Pursuant to article 88 of the Articles, no person other than a director retiring at the meeting shall, unless recommended by the directors for election, be eligible for election as a director at any general meeting unless a notice signed by a shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the registration office of the Company provided that the minimum length of the period, during which such notice(s) are given, shall be at least 7 days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting.

Accordingly, if a shareholder of the Company wishes to nominate a person to stand for election as a director, the following documents must be validly served on the Company, namely: –

- a notice of intention to propose a resolution; and
- a notice signed by the nominated candidate of his willingness to be elected together with the candidate's information required to be disclosed under Rule 13.51(2) of the Listing Rules and the candidate's written consent to the publication of his personal data together with the certified true copies of identification card or passport, residential address proof and education certificates.

CONSTITUTIONAL DOCUMENTS

There was no change in the constitutional documents of the Company during the year ended 31 December 2023.

DIVIDEND POLICY

The Company adopts a dividend policy of providing shareholders with stable and sustainable dividends. The dividend payment will be based on the Company's financial performance and cash flows, future capital requirements, general economic and business conditions, etc. Whilst the Company does not intend to set any pre-determined dividend distribution ratio in order to allow for financial flexibility, the Company endeavors to strike a proper balance between shareholders' interests and prudent capital management and aims to deliver sustainable dividends that are in line with earnings improvement and long-term growth of the Company.

ENQUIRIES TO THE BOARD

Enquiries may be put forward to the Board through the Company's head office at Unit 09, 41st Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

The Company regularly releases latest corporate news of the Group on its website at www.sinobiopharm.com. The public are welcome to give comments and make enquiries through the Company's website.

Report of Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 1 to the financial statements.

There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 December 2023 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 70 to 170.

The payment for interim dividend of HK2 cents per ordinary share of the Company ("Share(s)") or approximately HK$367,985,000 (equivalent to approximately RMB332,324,000) in total was made during 2023.

The directors recommend the payment of a final dividend of HK3 cents per Share in respect of the year ended 31 December 2023 to shareholders on Friday, 5 July 2024.

The proposal for the distribution of the final dividend above is subject to the consideration and approval of the shareholders at the forthcoming annual general meeting of the Company ("AGM").

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed for the following periods:–

(a) For the purpose of determining shareholders who are entitled to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 31 May 2024 to Wednesday, 5 June 2024, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the attendance and voting at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by 4:30 p.m. on Thursday, 30 May 2024.

(b) For the purpose of determining shareholders who are qualified for the final dividend, the register of members of the Company will be closed from Thursday, 13 June 2024 to Tuesday, 18 June 2024, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by 4:30 p.m. on Wednesday, 12 June 2024.

BUSINESS REVIEW

A review of the business of the Group and analysis of the Group's performance during the year, including a description of the principal risks and uncertainties facing the Group and financial key performance indicators, is provided in the Chairwoman's Statement and Management Discussion and Analysis sections on pages 10 to 28 of this annual report.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets, liabilities, net assets and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out below. This summary does not form part of the audited financial statements.

	2023 RMB'000	2022 RMB'000 (Restated)	2021 RMB'000	2020 RMB'000	2019 RMB'000 (Restated)
CONTINUING OPERATIONS					
REVENUE	**26,199,409**	26,026,164	26,861,356	23,647,224	24,234,030
Cost of sales	**(4,989,877)**	(4,487,616)	(5,332,095)	(5,182,320)	(4,926,268)
Gross profit	**21,209,532**	21,538,548	21,529,261	18,464,904	19,307,762
Other income	**1,134,432**	689,626	807,013	793,205	857,156
Other (losses)/gains, net	**(142,816)**	(258,733)	251,694	469,054	(79,456)
Selling and distribution costs	**(9,193,351)**	(9,809,372)	(10,518,393)	(8,972,635)	(9,319,541)
Administrative expenses	**(1,873,284)**	(1,899,408)	(2,185,234)	(2,655,926)	(2,477,418)
Other expenses	**(4,703,660)**	(4,463,322)	(4,633,841)	(2,758,957)	(2,479,346)
Including: Research and development costs	***(4,402,973)***	*(4,164,498)*	*(3,677,259)*	*(2,626,709)*	*(2,398,712)*
Finance costs	**(495,237)**	(429,494)	(308,617)	(323,368)	(229,950)
Share of profits and losses of associates and a joint venture	**(525,710)**	(152,976)	13,630,790	(3,233)	111,385
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	**5,409,906**	5,214,869	18,572,673	5,013,044	5,690,592
Income tax expenses	**(797,267)**	(696,716)	(1,957,880)	(672,377)	(902,747)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**4,612,639**	4,518,153	16,614,793	4,340,667	4,787,845
DISCONTINUED OPERATIONS					
Profit for the year from discontinued operations	**484,759**	484,465	–	–	–
PROFIT FOR THE YEAR	**5,097,398**	5,002,618	16,614,793	4,340,667	4,787,845
Attributable to:					
Owners of the parent	**2,331,939**	2,543,570	14,608,412	2,771,086	2,761,542
Non-controlling interests	**2,765,459**	2,459,048	2,006,381	1,569,581	2,026,303
	5,097,398	5,002,618	16,614,793	4,340,667	4,787,845
TOTAL ASSETS	**63,604,819**	64,064,284	60,543,337	47,210,438	37,514,192
TOTAL LIABILITIES	**(25,434,866)**	(26,120,736)	(22,814,314)	(24,790,880)	(16,953,010)
NET ASSETS	**38,169,953**	37,943,548	37,729,023	22,419,558	20,561,182
NON-CONTROLLING INTERESTS	**(7,695,484)**	(8,196,513)	(7,437,907)	(5,672,398)	(5,611,937)

PROPERTIES, PLANT AND EQUIPMENT

Details of movements in the properties, plant and equipment of the Company and the Group during the year are set out in note 15 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital and share options (if any) during the year, together with the reasons therefor, are set out in notes 34 and 35 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association ("Articles") or the laws of the Cayman Islands, being the jurisdiction in which the Company was established, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2023, the Company bought back a total of 12,650,000 Shares on The Stock Exchange of Hong Kong Limited ("Stock Exchange") at an aggregate consideration of approximately HK$46.03 million before expenses. The bought back Shares were subsequently cancelled. Further details are set out as follows:

Month	Number of Shares bought back	Purchase consideration per Share Highest	Lowest	Consideration paid
		HK$	HK$	HK$
February	4,650,000	4.22	4.05	19,192,500
June	8,000,000	3.41	3.33	26,840,000

Pursuant to the rules of the share award scheme adopted by the Company on 5 January 2018 (the "2018 Share Award Scheme"), the trustee of the 2018 Share Award Scheme purchased on the Stock Exchange a total of 115,150,000 Shares at a total consideration of approximately HK$388,722,490 during 2023.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year under review.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in notes 36 and 47 to the financial statements and in the consolidated statement of changes in equity, respectively.

Report of Directors

DISTRIBUTABLE RESERVES

At 31 December 2023, the Company's reserves, including share premium account, available for cash distribution/or distribution in specie, and after taking into account the proposed final dividend of approximately RMB500,194,000 (2022: approximately RMB980,519,000), amounted to approximately RMB9,696,233,000 (2022: approximately RMB6,766,746,000). Under the laws of the Cayman Islands, a company may make distribution to its members out of the share premium account under certain circumstances.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, owned more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group strives to implement its environment friendly policies through efficient use of resources and active adoption of measures to reduce environmental impacts. An environment, health and safety management system has been established to conduct environmental impact assessment of new production facilities at the major subsidiaries of the Company. During the production process, the Group has implemented procedures on energy conservation, emission reduction, waste water and solid waste disposal for environmental protection. The Group has also encouraged its staff to be environment friendly by consuming electricity and paper according to actual needs, so as to reduce energy consumption and minimize unnecessary waste. Through such policies and compliance with applicable environmental laws and regulations, the Group continues to improve its environmental performance to achieve sustainable development.

Please refer to the Company's 2023 Environmental, Social and Governance Report separately posted on the websites of the Company and the Stock Exchange for further details of the Company's environmental and social performance.

RELATIONSHIP WITH STAKEHOLDERS

The Group recognizes that stakeholder interests play a key role in its sustainable business operation and has maintained effective communications with its key stakeholders, including customers, suppliers and employees to strengthen relationships and co-operations for the long-term development of the Group.

The customers of the Group comprise distributors and hospitals. The Group actively promotes and obtains feedback on its products by organizing seminars and new product launching conferences. After-sale services are provided through telephone consultation and complaint handling. The Group is devoted to the provision of quality products and services to promote long-term co-operation with its customers so as to increase market share and improve market competitiveness.

The Group adopts a scientific approach in managing its suppliers through a standardized supplier management system with improved procurement tender mechanism. Annual evaluation on suppliers is conducted to ensure that services and products procured meet the requirements of the Group.

Employees are considered as the most important and valuable assets of the Group. The objective of the Group's human resources management is to reward and recognize employees by providing competitive remuneration packages and implementing a sound performance evaluation system, and to promote career development and progression within the Group by providing adequate training and opportunities. A healthy, safe and happy working environment is also provided through the safety management system, cultural and sports activities and health examinations.

COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

The Group operates its business through its subsidiaries in the PRC and accordingly, relevant laws and regulations in the PRC applicable for the research, development, manufacturing, sales and distribution of pharmaceutical products, including but not limited to the laws and regulations on quality, safety, production, environmental protection, intellectual property and labour, shall be complied with. In addition, as a company incorporated in the Cayman Islands with its shares listed on the Stock Exchange, the Company is governed by the Companies Act of the Cayman Islands, as well as the Listing Rules and the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong ("SFO")).

During the year ended 31 December 2023, to the best knowledge of the Board, the Group does not have any incidence of non-compliance with the relevant laws and regulations that would have a significant impact on the Group's business and operations.

DIRECTORS

The directors of the Company during the year were:

Executive directors:
Ms. Tse, Theresa Y Y
Mr. Tse Ping
Ms. Cheng Cheung Ling
Mr. Tse, Eric S Y
Mr. Tse Hsin
Mr. Tian Zhoushan
Ms. Li Mingqin

Independent non-executive directors:
Mr. Lu Zhengfei
Mr. Li Dakui
Ms. Lu Hong
Mr. Zhang Lu Fu
Dr. Li Kwok Tung Donald

In accordance with Article 87 of the Articles, Mr. Tse Ping, Ms. Li Mingqin, Mr. Lu Zhengfei, and Mr. Li Dakui will retire by rotation and are eligible for re-election at the AGM. Ms. Li Mingqin has informed the Board that she would not offer herself for re-election and accordingly will retire at the conclusion of the AGM. Save for Ms. Li Mingqin, all other retiring directors offer themselves for re-election.

Report of Directors

The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to the independence guidelines under the Listing Rules and the Company considers such directors to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 57 to 62 of the annual report.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming AGM has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 42 to the financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

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

At 31 December 2023, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors (the "Model Code") as set out in Appendix C3 of the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in ordinary shares of the Company

			Number of shares held, capacity and nature of interest			
Name of director	Notes	**Capacity/Nature of interest**	**Directly beneficially owned**	**Through controlled corporations**	**Total**	**Approximate percentage of the Company's issued share capital**
Ms. Tse, Theresa Y Y	(1)	Beneficial owner	1,500,000	2,279,254,761	2,280,754,761	12.13%
Mr. Tse Ping	(2)	Beneficial owner	198,618,000	1,459,785,124	1,658,403,124	8.82%
Ms. Cheng Cheung Ling	(3)	Beneficial owner	212,034,750	675,000,000	887,034,750	4.72%
Mr. Tse, Eric S Y	(4)	Beneficial owner	–	4,050,000,000	4,050,000,000	21.54%
Mr. Tse Hsin		Beneficial owner	174,247,000	–	174,247,000	0.93%
Dr. Li Kwok Tung Donald		Beneficial owner	71,000	–	71,000	0.00%

Notes:

(1) Ms. Tse, Theresa Y Y held 2,279,254,761 Shares through France Investment (China 1) Group Limited, 91.33% of the issued share capital of which is owned by Ms. Tse, Theresa Y Y.

(2) Mr. Tse Ping held 1,459,785,124 Shares through Validated Profits Limited, the entire issued share capital of which is owned by Mr. Tse Ping.

(3) Ms. Cheng Cheung Ling held 675,000,000 Shares through Chia Tai Bainian Holdings Limited, the entire issued share capital of which is owned by Ms. Cheng Cheung Ling.

(4) Mr. Tse, Eric S Y held 2,362,500,000 Shares and 1,687,500,000 Shares through Thousand Eagles Limited and Remarkable Industries Limited, respectively. The entire issued share capital of each of the companies is owned by Mr. Tse, Eric S Y.

Long position in shares of associated corporations of the Company

Name of director	Name of associated corporation	Capacity	Number of shares	Approximate percentage of shareholding
Mr. Tse Hsin	CT Tianqing	Beneficial owner	229,250	0.18%
	NJCTT	Beneficial owner	26,583	0.53%

Saved as disclosed above, as at 31 December 2023, none of the directors and chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

PERSONS WHO HAVE AN INTEREST AND/OR SHORT POSITION WHICH IS DISCLOSEABLE UNDER THE SECURITIES AND FUTURES ORDINANCE AND SUBSTANTIAL SHAREHOLDERS

As at 31 December 2023, the following persons (not being a director or chief executive of the Company) had the following interests and/or short positions in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under to Section 336 of the SFO were as follows:

Long positions in shares and/or underlying shares

Name	Notes	Capacity/Nature of Interest	Number of shares and/or underlying shares of the Company	Approximate percentage of issued share capital of the Company
Thousand Eagles Limited	(1)	Beneficial owner	2,362,500,000	12.56%
France Investment (China 1) Group Limited	(2)	Beneficial owner	2,279,254,761	12.12%
Remarkable Industries Limited	(1)	Beneficial owner	1,687,500,000	8.98%
Validated Profits Limited	(3)	Beneficial owner	1,459,785,124	7.76%

Notes:

(1) Each of Thousand Eagles Limited and Remarkable Industries Limited is an investment holding company wholly-owned by Mr. Tse, Eric S Y.

(2) France Investment (China 1) Group Limited is an investment holding company owned as to 91.33% by Ms. Tse, Theresa Y Y.

(3) Validated Profits Limited is an investment holding company wholly-owned by Mr. Tse Ping.

Save as disclosed above, as at 31 December 2023, no person (not being a director or chief executive of the Company) had an interest and/or short position in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Saved as disclosed under the heading "Directors' and Chief Executives' interests and short positions in share, underlying shares and debentures" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouse or minor children, or were any such rights exercised by them; nor was the Company or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights through any other body corporate.

CONTINUING CONNECTED TRANSACTIONS

The related party transactions as set out in note 42 to the financial statements are fully-exempt from annual review and all disclosure requirements pursuant to Rule 14A.76(1) of the Listing Rules.

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

Save as disclosed below, the Directors are not aware of any circumstances which would give rise to a disclosure obligation pursuant to the requirements under Rule 13.18 of the Listing Rules as at 31 December 2023.

On 1 December 2021, the Company as borrower entered into a facility agreement (the "2021 Facility Agreement") with certain financial institutions for the grant of senior term loan and revolving credit facilities in an aggregate amount of USD1,000,000,000. Pursuant to the terms of the 2021 Facility Agreement, the Company has undertaken, among others, to ensure that certain shareholdings in the Company and control on the Board of the Company will be retained by Mr. Tse Ping, Ms. Cheng Cheung Ling, Ms. Tse, Theresa Y Y, and Mr. Tse, Eric S Y, all being directors and/or substantial shareholders of the Company, and their respective family members. Details of these performance covenants were disclosed in the announcement of the Company dated 1 December 2021.

CONVERTIBLE BONDS

On 17 February 2020, the Company completed the issuance and listing of EUR750,000,000 zero coupon convertible bonds due 2025 ("Convertible Bonds") by way of debt issues to professional investors only. The net proceeds from the Convertible Bonds were used by the Group for research and development expenditure, construction of manufacturing facilities, sales and marketing and general corporate purposes.

During the year under review, upon request of the holders of the Convertible Bonds pursuant to the terms and conditions of the Convertible Bonds, the Company redeemed a principal amount of EUR487,582,000 in aggregate of the Convertible Bonds on 17 February 2023. Following the cancellation of the redeemed Convertible Bonds, the outstanding principal amount of the Convertible Bonds was reduced to EUR2,150,000. Upon payment of dividends by the Company, the conversion price of the Conversion Bonds was adjusted from HK$12.41 to HK$12.06 per Share under the terms and conditions of the Convertible Bonds. The maximum number of Shares issuable by the Company upon conversion of all the outstanding Convertible Bonds amounted to 1,535,467 Shares at the year end, while no conversion of the Convertible Bonds had ever been made up to that date.

SHARE OPTION SCHEME AND SHARE AWARD SCHEME

Details of the share option scheme and share award scheme adopted by the Company are set out in note 35 to the financial statements.

No share options had been granted to any participant under the share option scheme since its adoption up to the date of this report.

Details of the restricted shares granted under the 2018 Share Award Scheme during the year ended 31 December 2023 are as follows:

	Date of grant	Number of restricted shares unvested as at 1 January 2023	Number of restricted shares granted during the year	Number of restricted shares vested during the year	Number of restricted shares unvested as at 31 December 2023	Fair value of restricted shares as at the date of grant HK$	Closing price of the shares immediately before the date on which restricted shares were granted HK$
Employee participants[1]	13/10/2023	–	6,854,834[2]	6,854,834[2]	–	2.83[3]	2.91

Notes:

(1) All grantees were employees of the Group, and included (i) no director, chief executive or substantial shareholder of the Company or their respective associates, and (ii) none of the five highest paid individuals during the year.

(2) The restricted shares were granted at nil purchase price and vested immediately on the date of grant. No restricted shares granted were cancelled, lapsed or forfeited in accordance with the terms of the 2018 Share Award Scheme during the year.

(3) The fair value of the restricted shares was calculated based on the closing price of the Company's shares on the date of grant.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public throughout the year ended 31 December 2023.

UNDERTAKING

Mr. Tse Ping has executed a deed of undertaking (the "Undertaking") in favour of the Company on 9 September 2003 which has become effective upon the commencement of trading in shares of the Company on the Main Board of the Stock Exchange.

Pursuant to the Undertaking, Mr. Tse has undertaken to the Company that, conditional upon the commencement of trading in the Shares on the Main Board, for so long as (i) Mr. Tse, together with his associates, shall remain beneficially interested, directly or indirectly, in Shares with at least 30 per cent. of the voting rights of the Company (from time to time), and (ii) the Shares shall remain traded on the Main Board, neither Mr. Tse nor any of Mr. Tse's Companies (excluding for this purpose the Group) will, within the Territory (as defined below), carry on, become engaged or otherwise become interested (saved through Mr. Tse's interest in the Company) directly or indirectly in, any business which falls within the Restricted Business (as defined below); and

For the purpose of the Undertaking:–

"Mr. Tse's Company(ies)" refers to any of the companies or other entities of which more than 50 per cent. of the issued shares or equity of other nature carrying voting rights are directly or indirectly owned by Mr. Tse or regarding which companies or entities Mr. Tse is entitled to control the board of directors or management body of similar nature;

"Restricted Business" refers to:–

(i) the R&D, production and sale of biopharmaceutical products for the medical treatment of ophthalmia and osteoarthritis, biopharmaceutical products for external use for the medical treatment of skin diseases, modernized Chinese medicines, chemical medicines and modern health-care products for the medical treatment of hepatitis and angiopathy of cardio-cerebral; and

(ii) the research and development of new medicines and modern health-care products for the medical treatment of cardiovascular and respiratory diseases.

"Territory" refers to the PRC (including Hong Kong). The Undertaking does not apply to the followings:–

(i) the holding of shares or other securities issued by the Company or any of its subsidiaries from time to time;

(ii) the holding of shares or other securities in any company which carries on, or is engaged or interested directly or indirectly in, any business which falls within the Restricted Business in the Territory, provided that such securities are listed on a stock exchange with regular trading and the total securities held by Mr. Tse and/or his associates do not amount to more than 20 per cent. of the issued shares or other securities of the company in question; and

(iii) the investment by Mr. Tse and/or Mr. Tse's Company in a business in the Territory which falls within the Restricted Business if the opportunity to invest in such business had been offered to and was either rejected by the Company or accepted in part by the Company on the basis of the investment in the balance being taken up by Mr. Tse or Mr. Tse's company, in either case in accordance with paragraph below.

In the event that Mr. Tse or any Mr. Tse's Company has identified an opportunity to invest (whether by way of the establishment of a new enterprise or the acquisition of existing interests in, or the injection of new capital into, an existing enterprise) in a business in the Territory which falls within the Restricted Business or any pharmaceutical related business in the Territory in which the Group is principally engaged from time to time (excluding any business in which Xian C.P. Pharmaceutical Co., Ltd. and/or Hainan Tigerlily Pharmaceutical Co., Ltd is/are engaged as at the date of the Undertaking) (the "Proposed Business"), Mr. Tse will undertake that he will procure that the said opportunity be first offered to the Company and that all relevant information relating to the Proposed Business in the possession of Mr. Tse and/or any Mr. Tse's Company shall be provided to the Company. The independent non-executive Directors shall have the right on behalf of the Company to determine whether the Group should:–

(i) reject the said opportunity in its entirety; or

(ii) accept the said opportunity in full and proceed with the participation in the Proposed Business; or

(iii) accept the said opportunity in part only on condition that, subject to compliance with any applicable requirements of the Listing Rules, Mr. Tse (including through a Mr. Tse's Company) takes up the balance of the investment upon terms approved by the independent non-executive Directors.

EMOLUMENT POLICY

Including the Directors, the Group had 25,806 employees as at 31 December 2023. The Group remunerates its employees based on their performance, experience and prevailing market rate. Other employee benefits include insurance and medical coverage, subsidized training programmes as well as employee share incentive schemes.

In order to properly reflect the public accountability and time and effort spent on the Board and various committees and meetings, the determination of emoluments of the directors of the Company has taken into consideration of their expertise and job specifications.

DONATION

During the year ended 31 December 2023, the donation of the Group amounted to approximately RMB56.78 million.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming AGM.

ON BEHALF OF THE BOARD

Tse, Theresa Y Y
Chairwoman

Hong Kong
28 March 2024

Directors and Senior Management Profile

DIRECTORS

Executive Directors

Ms. Tse, Theresa Y Y (謝其潤女士), aged 31, is the chairwoman of the Board, an executive director, and the chairwoman of the executive board committee and the nomination committee of the Company. Ms. Tse is also a director of CT Tianqing and the vice chairwoman of Beijing Tide. Ms. Tse was a member of the first and second board of directors of Beijing Chia Tai Charity Foundation. She holds a Bachelor Degree of Science in Economics from the Wharton School of University of Pennsylvania. As a new generation business leader, Ms. Tse was included in the list of "100 Outstanding Business Women in China" released by Forbes China for five times from 2018 to 2024.

Ms. Tse is the daughter of Mr. Tse Ping and Ms. Cheng Cheung Ling, executive directors of the Company, the sister of Mr. Tse, Eric S Y, an executive director and a substantial shareholder of the Company, and a niece of Mr. Tse Hsin, an executive director of the Company.

Mr. Tse Ping (謝炳先生), aged 72, is the founding chairman of the Company and now serves as the senior vice chairman of the Board, an executive director, and a member of the executive board committee and nomination committee of the Company. Mr. Tse has more than 30 years of extensive experience of investment and management in the pharmaceutical industry in China. Mr. Tse is currently a director of CT Tianqing, Beijing Tide, NJCTT, Jiangsu CT Fenghai, and Jiangsu CT Qingjiang, and the president of Chia Tai Pharmaceutical Investment (Beijing) Co., Ltd. He is also a senior vice president of Chia Tai Group, the president of CP Pharmaceutical Group, and a director of Shanghai Fortune World Development Co., Ltd., Tianjin Chiatai Feed Tech Co., Ltd., SYN Energy Technology Co., Ltd., and Chia Tai Oversea Chinese Realty Development Co., Ltd.

Soon after the adoption of the open-up and reform policy by China, Mr. Tse started to develop his investment and business in China. He has been engaged in the pharmaceutical industry since 1991, having made equity investments in a dozen or so enterprises, and is one of the most successful overseas investors in the PRC pharmaceutical industry. Led by Mr. Tse, CP Pharmaceutical Group has developed to a large integrated life and healthcare enterprise, and its Hong Kong listed flagship Sino Biopharmaceutical Limited is a constituent of the Heng Seng Index, owning a number of national key high-technology enterprises. Adhering to the concept of technology innovation and building upon R&D system based on originality as well as imitation, the Group strives to develop international level, high-end biological drugs and innovative drugs and to achieve breakthroughs in different areas including medical services, medical equipment, and mergers and acquisitions, and becomes an innovation driven life and healthcare enterprise with its business encompassing the entire industry chain which spans from R&D to manufacture and sales of pharmaceutical products. Since incorporation, the Company continues to break its own record in terms of revenue and net profit, and was ranked one of the "Asia Fab 50 Companies" by Forbes Asia for three consecutive years from 2016 to 2018 and was included in American Magazine Pharm Exec's "Top 50 Companies" for five consecutive years from 2019 to 2023.

As a recognition for his efforts in promoting the development of the pharmaceutical industry in China, Mr. Tse was awarded a number of honours, including the prize of "World Outstanding Chinese" and an honorary Doctor Degree by the University of West Alabama, United States of America in January 2008, and the "2007/2008 Asian Knowledge Management Association academician" granted by the Asian Knowledge Management Association in December 2008.

Mr. Tse was a member of the Ninth, Tenth and Eleventh National Committee of the Chinese People's Political Consultative Conference. He is currently an executive vice chairman of the China Overseas Chinese Entrepreneurs Association and a distinguished professor of University for Peace, UPEACE.

Mr. Tse is the father of Ms. Tse, Theresa Y Y and Mr. Tse, Eric S Y, executive directors and substantial shareholders of the Company, and a first cousin of Mr. Tse Hsin, an executive director of the Company.

Ms. Cheng Cheung Ling (鄭翔玲女士), is one of the founders of the Company, and is currently the vice chairwoman of the Board, an executive director, a member of the executive board committee, and the chairwoman of the environmental, social and governance committee of the Company. Ms. Cheng was born in 1964, graduated from the Guanghua School of Management of Peking University and obtained a Master Degree in Business Administration. She is also a clinician. As a founder of CP Pharmaceutical Group, Ms. Cheng has made significant contribution to the business development of CP Pharmaceutical Group. CT Tianqing and Beijing Tide, the core members of the CP Pharmaceutical Group, have been included in the list of "Top 100 Enterprises in Chinese Pharmaceutical Industry" for years. When Ms. Cheng was at the helm of Beijing Tide, Beijing Tide has achieved tremendous growth with concentration on internationalization and innovation, and become a leading enterprise in the development, production and sales of targeted drugs in China under her leadership.

Over the years, being dedicated to the cause of patriotism and Hong Kong and committed to facilitating communication and trade between the Mainland and Hong Kong, Ms. Cheng has done remarkable work for the purposes of promoting national cohesion and bilateral cooperation between the Mainland and Hong Kong. In addition, Ms. Cheng is a devoted charity supporter, actively participating in community philanthropy. Public offices held by Ms. Cheng include the founding chairwoman of the Hong Kong China Friendship Association, the past chairwoman of the Friendship Association of the Chinese People's Political Consultative Conference (Hong Kong Provincial Committee), the chairwoman of the Friendship Association of the Chinese People's Political Consultative Conference (Hong Kong Provincial Committee) Foundation, the president of the council of Hong Kong Belt & Road General Chamber of Commerce, the convenor of the Eighth, Ninth, Tenth, Eleventh, Twelfth and Thirteenth Standing Committees of the Shaanxi Province Chinese People's Political Consultative Conference, a vice director of the Twelfth and Thirteenth Subcommittees of Hong Kong, Macao and Taiwan Compatriots and Overseas Chinese of the Shaanxi Province Chinese People's Political Consultative Conference, a council member of the China Overseas Friendship Association, the president of the General Association of Shaanxi Entrepreneurs, the president of the Hong Kong Shanxi General Association, an executive vice chairwoman of the Beijing Overseas Chinese Chamber of Commerce, and a vice president of Beijing Federation of Industry & Commerce, etc.

The distinguished community services provided by Ms. Cheng are well recognized by various organisations at home and abroad. She was not only appointed as a Justice of the Peace and awarded the Silver Bauhinia Star by the Government of Hong Kong SAR but also awarded by a number of organizations honours such as National Women's Meritorious Service Model, the 3rd session of "Sanqin Philanthropy Award (三秦慈善獎)" of Shaanxi Province, "Bearer of Red Flag March 8 (三八紅旗手) of Shaanxi Province", the 4th session of "Jinghua Award (京華獎)" of Beijing, and the 11th session of "Qindao Award (島琴獎)" of Qingdao City.

She is the mother of Ms. Tse, Theresa Y Y and Mr. Tse, Eric S Y, executive directors and substantial shareholders of the Company.

Directors and Senior Management Profile

Mr. Tse, Eric S Y (謝承潤先生), aged 28, is an executive director, a member of the executive board committee and the Chief Executive Officer of the Company. He is the chairman of CT Tianqing, the chairman of Beijing Tide and a director of NJCTT. He holds a Bachelor of Science degree in Economics from the Wharton School of the University of Pennsylvania and a master degree in Management and Global Leadership from Schwarzman College, Tsinghua University. He is a member of the Beijing Municipal Committee of the Chinese People's Political Consultative Conference, a member of All-China Youth Federation, a vice president of Shaanxi Province Youth Federation, a member of the Digital Economy Committee of APEC China Business Council, a presidium member of the Global Shapers of World Economic Forum, the vice director of the Technology Innovation Committee of Hong Kong Belt & Road General Chamber of Commerce, an executive vice president of Jiangsu Overseas Chinese Chamber of Commerce, a member of the Election Committee of the Seventh Legislative Council of the Hong Kong Special Administrative Region, a vice president of the Youth Federation of Hong Kong Political Consultative Conference, and a member of Y.Elites Association. He was awarded the "Top Ten Outstanding Chinese American Youth" in 2018 (the list of which was jointly selected by the All-America Chinese Youth Federation, the American Chinese Public Diplomacy Association, and the English "Los Angeles Post") and recognized as one of the "Top Ten Outstanding Young Persons" of the 13th session of Lianyungang Municipal Award and an advanced person of the "Outstanding Contribution in Manufacture for Jiangsu Award".

Mr. Tse, Eric S Y is the son of Mr. Tse Ping and Ms. Cheng Cheung Ling, executive directors of the Company, the brother of Ms. Tse, Theresa Y Y, an executive director and a substantial shareholder of the Company, and a nephew of Mr. Tse Hsin, an executive director of the Company.

Mr. Tse Hsin (謝炘先生), aged 54, is an executive director, a member of the executive board committee and a senior vice president of the Company. Mr. Tse Hsin is mainly responsible for mergers and acquisitions and financing activities of the Group. Mr. Tse Hsin graduated from the University of Hong Kong with a Bachelor's Degree (Honors) in Industrial Engineering. He joined the Group in August 1995 as an assistant to the president of the Company and served as the general manager of Xian C.P. Pharmaceutical Co., Ltd. Mr. Tse Hsin was a council member of the first council and an executive council member of the second council of Chaozhou Natives Chamber of Commerce Beijing. He was also an executive member of the Right Protection Association for the Medical Treatment Equipment Enterprises of the Shaanxi Province, a vice chairman of the fourth council of the Foreign Invested Enterprises Association of the Shaanxi Province, an executive member of the third committee of the Shaanxi Cancer Fighting Association and a vice chairman of the World Chinese Medicine and Pharmaceutical Professional Joint Committee. He was awarded the "Outstanding Management Award for Foreign-invested Enterprises of Shaanxi Province" by the Shaanxi Provincial Government and the "Outstanding entrepreneur who cares about his staff" by the Shaanxi Foreign Invested Enterprises Association. He was a director of CT Tianqing and Beijing Tide, and is currently a director of NJCTT and CP Boai Investment Ltd., the chairman of Chia Tai Shaoyang Orthopedic Hospital, and a supervisor of CT Tianqing.

He is an uncle of Ms. Tse, Theresa Y Y and Mr. Tse, Eric S Y, executive directors and substantial shareholders of the Company, and a first cousin of Mr. Tse Ping, an executive director of the Company.

Directors and Senior Management Profile

Mr. Tian Zhoushan (田舟山先生), aged 60, joined the Group in April 1997 and is responsible for the business of NJCTT. Mr. Tian is currently the president of NJCTT. Mr. Tian completed MBA coursework in Nanjing University. He was the head of production, the assistant to the president, and the vice president of CT Tianqing, and has over 30 years of experience in the pharmaceutical industry.

Ms. Li Mingqin (李名沁女士), aged 65, is a senior vice president of the Company and a director of Beijing Tide, Jiangsu CT Qingjiang, Chia Tai Shaoyang Orthopedic Hospital, and CP Boai Investment Ltd., and is principally responsible for the BD (business development) affairs of the Group. Ms. Li graduated from the Faculty of Medicine of Beijing Chinese Medicine University with a Bachelor Degree in medicine. Prior to joining the Company, Ms. Li had worked in Sino-Japanese Friendly Hospital and Beijing Chinese Medicine University, engaged in teaching of medicines, development of new medicines and medicine management. During the period from 1992 to 1995, Ms. Li had been engaged in post-doctorate research in the Medicine School of University of Colorado, USA and the Medical College of the University of Massachusetts. Ms. Li joined the Group in March 1997 and has more than 40 years of experience in the pharmaceutical industry.

Independent Non-executive Directors

Mr. Lu Zhengfei (陸正飛先生), aged 60, is an independent non-executive director of the Company and is the chairman of the audit committee and a member of the remuneration committee and the nomination committee of the Company. Mr. Lu received a P.h.D. Degree in Economics (financial management). He is currently a Distinguished Professor of Chang Jiang Scholars and supervisor of doctoral students of the Guanghua School of Management of Peking University. He had previously held various senior positions in the Department of Accounting of both the Guanghua School of Management of Peking University and the Nanjing University. He is a standing council member of the China Accounting Association and the deputy director of its Financial Management Committee and was also an expert consultant of the China Financial Accounting Standards Board, Ministry of Finance. Mr. Lu is the editor of several accounting and finance journals and has issued various publications. He is an independent director of China Cinda Asset Management Co., Ltd. (listed on the Stock Exchange), Xinjiang Tianshan Cement Company Limited (listed on the Shenzhen Stock Exchange), and China International Capital Corporation Limited (listed on both the Stock Exchange and the Shanghai Stock Exchange), respectively.

Mr. Li Dakui (李大魁先生), aged 80, is an independent non-executive director and a member of the audit committee of the Company. He graduated from the Faculty of Pharmacy of Beijing Medical University (now known as the School of Pharmaceutical Sciences of Beijing University) in 1965, and obtained a Master Degree in Pharmaceutics from Peking Union Medical College ("PUMC") in 1982. He had been the chief pharmacist of PUMC Hospital (retired in 2013) and the director of Pharmacy Department of PUMC Hospital for years. Mr. Li was a vice president of the Chinese Pharmaceutical Association, the chairman of the Committee of Hospital Pharmacy Branch of Chinese Pharmaceutical Association and the vice chairman of the Chinese Practicing Pharmacist Association. He is currently an advisory member of the Chinese Pharmaceutical Committee.

Directors and Senior Management Profile

Ms. Lu Hong (魯紅女士), aged 54, joined the Company as an independent non-executive director and a member of the audit committee, the remuneration committee and the nomination committee of the Company in April 2015. Ms. Lu has more than 20 years of experience in accounting, financial management, company secretary and domestic and overseas capital operations fields. She is a member of the Chinese Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants, and has acquired legal professional qualification in China. Ms. Lu has extensive knowledge of PRC and international accounting standards and the listing rules and regulations of both Hong Kong and PRC. She was in charge of or involved in the entire process of the listing of multiple corporations in the PRC, Hong Kong, Singapore and the United States of America and quite a number of foreign and domestic investment and financing operations as well as mergers and acquisitions. She is familiar with financial analysis, budgeting, financial management and tax planning. She also has expertise in dealing with complex financing and taxation matters. Ms. Lu is an independent non-executive director of Xingye Alloy Materials Group Limited, which is listed on the Stock Exchange.

Mr. Zhang Lu Fu (張魯夫先生), aged 66, joined the Company as an independent non-executive director and the chairman of the remuneration committee and a member of the nomination committee of the Company in April 2015. He had worked for multiple sectors of the Chinese government since 1987, including the Hong Kong branch of the Xin Hua News Agency (now known as Liaison Office of the Central People's Government in Hong Kong). After 2000, Mr. Zhang had worked for a number of Hong Kong listed companies and charitable organisations on full-time or part-time bases, successively holding positions such as chief representative for affairs in China, China affairs advisor, secretary-general (China affairs) of a foundation, and executive president.

Mr. Zhang has served as the director-general of Friends of Hong Kong Association Ltd since 2008. He was appointed as a member of the Shenzhen Committee of the 4th Chinese People's Political Consultative Conference in 2008 and a council member of the China Overseas Friendship Association in 2013, and served successively as a standing council member of the Shenzhen Overseas Friendship Association and a standing council member of the Guangdong Overseas Friendship Association since 2015. He holds a Master Degree in Philosophy from the Beijing Normal University and was a research associate. He has been hired as a part-time professor of the Hong Kong Academy of Management since 2011. Mr. Zhang is an independent non-executive director of Kingboard Laminates Holdings Limited, which is listed on the Stock Exchange.

Dr. Li Kwok Tung Donald *(SBS, CStJ, JP)* (李國棟醫生), aged 69, joined the Company as an independent non-executive director and a member of the audit committee and nomination committee of the Company in December 2020. Dr. Li is a specialist in family medicine in private practice in Hong Kong. He is the immediate past president of the World Organisation of Family Physicians (WONCA) and the past president of the Hong Kong Academy of Medicine as well as a censor of the Hong Kong College of Family Physicians.

Dr. Li graduated with a bachelor of arts degree from Cornell University, USA, in 1975 and followed by his study in medicine, he obtained a bachelor of medicine from the University of Hong Kong in 1980. He is a fellow of The Hong Kong College of General Practitioners, fellow of the Hong Kong Academy of Medicine, honorary fellow of the Hong Kong College of Dental Surgeons, honorary fellow of the Royal Australian College of General Practitioners, honorary fellow of the Hong Kong College of Family Physicians, fellow of the Faculty of Public Health of the Royal College of Physicians of the United Kingdom, honorary fellow of the Academy of Family Physicians of Malaysia, registered Mainland China medical practitioner, fellow of the American College of Physicians, honorary fellow of the Royal College of Physicians of Thailand, fellow of the Academy of Medicine, Singapore, honorary fellow of the Royal College of Physicians of Ireland, and honorary fellow of the Royal College of General Practitioners.

Dr. Li is an honorary clinical professor in family medicine of the Chinese University of Hong Kong, honorary professor in the Faculty of Medicine of the University of Hong Kong, and the adjunct associate professor of the Faculty of Health Science of Macau University of Science and Technology. He is the chairman of the Action Committee Against Narcotics, the chairman of Elderly Commission, the director of the Hong Kong St. John Ambulance Association, the advisor to the Board & Executive Committee of Hong Kong Sheng Kung Hui Welfare Council, an honorary steward of the Hong Kong Jockey Club, and a senior advisor of Jiahui Health. He is also an honorary adviser of The Hong Kong Award for Young People, an adviser of Our Hong Kong Foundation, the chairman of the Professional Committee on Medical Health of Belt & Road General Chamber of Commerce in Hong Kong, and a member of the steering committee on Primary Healthcare Development of Food and Health Bureau in Hong Kong. Dr. Li is an independent non-executive director of C-MER Eye Care Holdings Limited, UMP Healthcare Holdings Limited, and New Horizon Health Limited, respectively, which are listed on the Stock Exchange.

SENIOR MANAGEMENT

Mr. Sean Chen (陳鵬亘先生), aged 46, is the chief strategic officer of the Group, responsible for developing strategies, scrutinising and prioritizing pipelines, and investment and business development of the Group. Mr. Chen received his M.D. degree from Kaohsiung Medical University and obtained an MBA degree from Institut Européen d'Administration des Affaires. Prior to joining the Group in 2022, Mr. Chen was engaged in the management of strategy, pipelines, and sales and marketing of various large multinational corporations including AstraZeneca, McKinsey, and Novartis, and has over twenty years of experience in the pharmaceutical industry.

Ms. Li Chunling (李春玲女士), aged 53, is the chief financial officer of the Group, in charge of the Group's finance affairs. Ms. Li graduated from Guizhou College of Finance and Accounting, and is a senior accountant and a certified accountant in the PRC. She had worked in audit firms before joining the Group in 1996. Ms. Li has over 27 years of experience in finance and audit.

Mr. Ben Toogood, aged 47, is the CEO of invoX Pharma Limited and head of globalisation of Sino Biopharm since 2021. Mr. Toogood possesses over 25 years of experience in the pharmaceutical industry, with the past 14 years spent in leadership positions focused on business development and mergers and acquisitions globally with a key focus on integration and operational management. Prior to joining Sino Biopharm, he worked for Novartis, Aspen, and Pharmathen. Mr. Toogood holds Executive MBA degree from the University of Cambridge.

Mr. Jin Song (靳松先生), aged 48, is a vice president, responsible for public affairs, medicines policies, and ESG related work. Mr. Jin graduated from China Pharmaceutical University, with a Bachelor degree in pharmaceutical preparations engineering, and holds a master degree in public health administration and international cooperation strategies from Ritsumeikan University, Japan. Before joining the Company in 2021, Mr. Jin was a vice president in a large state-owned enterprise, and had worked in national pharmaceutical regulatory authorities for many years. He has more than 20 years of management experience in the pharmaceutical industry.

Corporate Information

LEGAL NAME OF THE COMPANY

Sino Biopharmaceutical Limited

STOCK CODE

1177

COMPANY'S WEBSITE

www.sinobiopharm.com

PLACE OF INCORPORATION

Cayman Islands

DATE OF LISTING ON MAIN BOARD

8 December 2003

DATE OF LISTING ON GEM BOARD

29 September 2000

DIRECTORS

Executive Directors
Ms. Tse, Theresa Y Y *(Chairwoman)*
Mr. Tse Ping *(Senior Vice Chairman)*
Ms. Cheng Cheung Ling *(Vice Chairwoman)*
Mr. Tse, Eric S Y *(Chief Executive Officer)*
Mr. Tse Hsin
Mr. Tian Zhoushan
Ms. Li Mingqin

Independent Non-executive Directors
Mr. Lu Zhengfei
Mr. Li Dakui
Ms. Lu Hong
Mr. Zhang Lu Fu
Dr. Li Kwok Tung Donald

Executive Board Committee
Ms. Tse, Theresa Y Y *(Chairwoman)*
Mr. Tse Ping
Ms. Cheng Cheung Ling
Mr. Tse, Eric S Y
Mr. Tse Hsin

AUDIT COMMITTEE

Mr. Lu Zhengfei *(Chairman)*
Mr. Li Dakui
Ms. Lu Hong
Dr. Li Kwok Tung Donald

REMUNERATION COMMITTEE

Mr. Zhang Lu Fu *(Chairman)*
Mr. Lu Zhengfei
Ms. Lu Hong

NOMINATION COMMITTEE

Ms. Tse, Theresa Y Y *(Chairwoman)*
Mr. Tse Ping
Mr. Lu Zhengfei
Ms. Lu Hong
Mr. Zhang Lu Fu
Dr. Li Kwok Tung Donald

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Ms. Cheng Cheung Ling *(Chairwoman)*
Ms. Li Mingqin
Dr. Li Kwok Tung Donald

COMPANY SECRETARY

Mr. Chan Oi Nin Derek

AUTHORISED REPRESENTATIVES

Mr. Tse Ping
Mr. Chan Oi Nin Derek

AUTHORISED PERSON TO ACCEPT SERVICES OF PROCESS AND NOTICES

Ms. Tse Wun

Corporate Information

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

Agricultural Bank of China, Lianyungang Branch
No. 43 North Tong-guan Road, Xinpu
Lianyungang
Jiangsu Province
PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

Conyers Trust Company (Cayman) Limited
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HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL PLACE OF BUSINESS IN CHINESE MAINLAND

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Central
Hong Kong

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Beijing
PRC

AUDITORS

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

INVESTOR RELATIONS CONSULTANT

Strategic Financial Relations Limited
Unit 01, 24th Floor, Admiralty Centre I
18 Harcourt Road
Hong Kong

EY 安永

To the shareholders of Sino Biopharmaceutical Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Sino Biopharmaceutical Limited (the "Company") and its subsidiaries (the "Group") set out on pages 70 to 170, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

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

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

Key audit matters (continued)

Key audit matter

Fair value measurement for Level 3 investments

The Group made unlisted investments in a wide variety of companies. Those investments are accounted for as financial assets at fair value through profit or loss ("FVTPL") or designated as financial assets at fair value through other comprehensive income in accordance with HKFRS 9 "Financial Instruments". As at 31 December 2023, the fair values of these investments were RMB4,700 million and RMB1,434 million, respectively (2022: RMB4,105 million and RMB1,309 million, respectively). The determination of the fair values of these unlisted investments involves significant judgements and estimates made by management. Therefore, we identified the fair value measurement for Level 3 investments as a key audit matter.

The Group's related disclosures are included in note 2.4 *Material Accounting Policies – Investments and other financial assets*, note 3 *Significant Accounting Judgements and Estimates*, note 21 *Equity investments designated at fair value through other comprehensive income*, note 22 *Financial assets at fair value through profit or loss* and note 44 *fair value and fair value hierarchy of financial instruments* to the financial statements.

How our audit addressed the key audit matter

Our procedures in relation to the fair value measurement for Level 3 investments included:

- Obtaining an understanding of the key controls over the fair value measurements and evaluating the design and implementation of these controls;
- Evaluating the objectivity, independence and competence of the external appraisers who assisted the management in assessing the fair values;
- Evaluating the reasonableness in the key inputs in the valuation models by checking the supporting documents;
- Involving our internal valuation specialists to review the valuation methodologies and inputs adopted by the appraisers in certain Level 3 investments; and
- Evaluating the adequacy of disclosures of Level 3 fair value measurement.

Other information included in the Annual Report

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

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

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

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

Independent Auditor's Report

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

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

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

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

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

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

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

- 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.

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

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

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

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

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

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

28 March 2024

Consolidated Statement of Profit or Loss

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
CONTINUING OPERATIONS			
REVENUE	5	**26,199,409**	26,026,164
Cost of sales		**(4,989,877)**	(4,487,616)
Gross profit		**21,209,532**	21,538,548
Other income	5	**1,134,432**	689,626
Other losses, net	6	**(142,816)**	(258,733)
Selling and distribution costs		**(9,193,351)**	(9,809,372)
Administrative expenses		**(1,873,284)**	(1,899,408)
Other expenses		**(4,703,660)**	(4,463,322)
Including: Research and development costs		***(4,402,973)***	*(4,164,498)*
Finance costs	8	**(495,237)**	(429,494)
Share of profits and losses of associates and a joint venture		**(525,710)**	(152,976)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	7	**5,409,906**	5,214,869
Income tax expense	11	**(797,267)**	(696,716)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**4,612,639**	4,518,153
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations	12	**484,759**	484,465
PROFIT FOR THE YEAR		**5,097,398**	5,002,618
Attributable to:			
Owners of the parent		**2,331,939**	2,543,570
Non-controlling interests		**2,765,459**	2,459,048
		5,097,398	5,002,618
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	14		
Basic			
– For profit for the year		**RMB12.59 cents**	RMB13.66 cents
– For profit from continuing operations		**RMB10.21 cents**	RMB11.31 cents
Diluted			
– For profit for the year		**RMB12.59 cents**	RMB12.15 cents
– For profit from continuing operations		**RMB10.21 cents**	RMB9.86 cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2023

	2023 RMB'000	2022 RMB'000
PROFIT FOR THE YEAR	**5,097,398**	5,002,618
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Net loss on hedge of net investment	**(70,564)**	–
Exchange differences on translation of foreign operations	**46,023**	(333,880)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**(24,541)**	(333,880)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**98,418**	(295,177)
Income tax effect	**–**	–
	98,418	(295,177)
Share of other comprehensive income of associates and a joint venture	**16,110**	(84,481)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**114,528**	(379,658)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**89,987**	(713,538)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**5,187,385**	4,289,080
Attributable to:		
Owners of the parent	**2,421,926**	1,830,032
Non-controlling interests	**2,765,459**	2,459,048
	5,187,385	4,289,080

Consolidated Statement of Financial Position

31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**8,080,907**	7,759,592
Investment properties	16	**289,342**	720,754
Right-of-use assets	17(a)	**1,831,254**	1,491,591
Goodwill	18	**680,452**	662,611
Intangible assets	19	**2,228,509**	1,251,839
Investments in associates and a joint venture	20	**12,243,675**	13,198,157
Equity investments designated at fair value through other comprehensive income	21	**1,562,870**	1,574,808
Financial assets at fair value through profit or loss	22	**4,699,703**	4,104,618
Bank deposit	27	**7,312,891**	6,352,000
Deferred tax assets	33	**567,012**	505,148
Prepayments and other assets	26	**302,673**	508,261
Total non-current assets		**39,799,288**	38,129,379
CURRENT ASSETS			
Inventories	24	**1,993,472**	2,328,844
Trade and bills receivables	25	**4,510,195**	4,638,396
Prepayments, other receivables and other assets	26	**3,635,630**	1,663,260
Amounts due from related companies	42	**188,610**	382,742
Equity investments designated at fair value through profit or loss	23	**301,080**	312,207
Financial assets at fair value through profit or loss	22	**2,811,960**	4,543,239
Cash and bank balances	27	**9,451,878**	12,066,217
		22,892,825	25,934,905
Assets of a disposal group classified as held for sale	12	**912,706**	–
Total current assets		**23,805,531**	25,934,905
CURRENT LIABILITIES			
Trade and bills payables	28	**1,334,703**	1,637,351
Tax payable		**271,871**	107,455
Other payables and accruals	29	**9,405,589**	8,153,130
Interest-bearing bank borrowings	30	**11,135,940**	6,217,153
Amounts due to related companies	42	**136,130**	382,579
Lease liabilities	17(b)	**71,488**	60,431
Contingent consideration		**12,195**	–
Derivative financial instruments		**–**	110,506
Convertible bonds – debt component	31	**–**	3,446,257
Convertible bonds – embedded derivative instrument	31	**–**	35,815
		22,367,916	20,150,677
Liabilities directly associated with the assets classified as held for sale	12	**238,859**	–
Total current liabilities		**22,606,775**	20,150,677
NET CURRENT ASSETS		**1,198,756**	5,784,228
TOTAL ASSETS LESS CURRENT LIABILITIES		**40,998,044**	43,913,607

Consolidated Statement of Financial Position

31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**40,998,044**	43,913,607
NON-CURRENT LIABILITIES			
Convertible bonds – debt component	31	**16,478**	–
Deferred government grants	32	**548,272**	749,070
Interest-bearing bank borrowings	30	**1,057,944**	3,933,859
Lease liabilities	17(b)	**298,394**	324,263
Contingent consideration		**125,460**	131,076
Deferred tax liabilities	33	**781,543**	831,791
Total non-current liabilities		**2,828,091**	5,970,059
Net assets		**38,169,953**	37,943,548
EQUITY			
Equity attributable to owners of the parent			
Share capital	34	**414,615**	414,899
Treasury shares	34	**(1,769,723)**	(1,432,484)
Reserves	36	**31,829,577**	30,764,620
		30,474,469	29,747,035
Non-controlling interests	37	**7,695,484**	8,196,513
Total equity		**38,169,953**	37,943,548

Tse, Theresa Y Y
Director

Tse Ping
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2023

	Note	Attributable to owners of the parent												
	Note	Share capital	Share premium account*	Treasury shares	Capital reserve*	Asset revaluation reserve*	Fair value reserve of financial assets at fair value through other comprehensive income*	Contributed surplus*	Reserve funds*	Exchange fluctuation reserve*	Retained profits*	Total	Non-controlling interests	Total equity
		RMB'000 (Note 34)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Note 36)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022		415,440	12,555,650	(689,347)	(9,310,613)	28,176	504,902	22,691	4,143,210	(450,393)	23,071,400	30,291,116	7,437,907	37,729,023
Profit for the year		–	–	–	–	–	–	–	–	–	2,543,570	2,543,570	2,459,048	5,002,618
Other comprehensive income for the year:														
Fair value changes of financial assets		–	–	–	–	–	(295,177)	–	–	–	–	(295,177)	–	(295,177)
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income		–	–	–	–	–	(136,306)	–	–	–	136,306	–	–	–
Exchange differences related to foreign operations		–	–	–	–	–	–	–	–	(333,880)	–	(333,880)	–	(333,880)
Exchange differences related to associates and a joint venture		–	–	–	–	–	(7,894)	–	–	(76,587)	–	(84,481)	–	(84,481)
Total comprehensive income for the year		–	–	–	–	–	(439,377)	–	–	(410,467)	2,679,876	1,830,032	2,459,048	4,289,080
Contribution from non-controlling shareholders		–	–	–	–	–	–	–	–	–	25,820	25,820	(2,870)	22,950
Dividends paid to non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	–	(1,697,572)	(1,697,572)
Recognition of share-based payments	35	–	–	29,723	–	–	–	–	–	–	–	29,723	–	29,723
Repurchase of shares for cancellation		–	–	(81,502)	–	–	–	–	–	–	–	(81,502)	–	(81,502)
Repurchase of shares under share award scheme		–	–	(786,111)	–	–	–	–	–	–	–	(786,111)	–	(786,111)
Cancellation of treasury shares		(541)	(94,212)	94,753	–	–	–	–	–	–	–	–	–	–
Final 2021 dividend declared		–	–	–	–	–	–	–	–	–	(610,910)	(610,910)	–	(610,910)
Interim 2022 dividend	13	–	–	–	–	–	–	–	–	–	(951,133)	(951,133)	–	(951,133)
Transfer from retained profits		–	–	–	–	–	–	–	1,145,155	–	(1,145,155)	–	–	–
At 31 December 2022		414,899	12,461,438	(1,432,484)	(9,310,613)	28,176	65,525	22,691	5,288,365	(860,860)	23,069,898	29,747,035	8,196,513	37,943,548

Consolidated Statement of Changes in Equity

Year ended 31 December 2023

	Note	Attributable to owners of the parent												
		Share capital	Share premium account*	Treasury shares	Capital reserve*	Asset revaluation reserve*	Fair value reserve of financial assets at fair value through other comprehensive income*	Contributed surplus*	Reserve funds*	Exchange fluctuation reserve*	Retained profits*	Total	Non-controlling interests	Total equity
		RMB'000 (Note 34)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Note 36)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023		414,899	12,461,438	(1,432,484)	(9,310,613)	28,176	65,525	22,691	5,288,365	(860,860)	23,069,898	29,747,035	8,196,513	37,943,548
Profit for the year		-	-	-	-	-	-	-	-	-	2,331,939	2,331,939	2,765,459	5,097,398
Other comprehensive income for the year:														
Fair value changes of financial assets		-	-	-	-	-	98,418	-	-	-	-	98,418	-	98,418
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income		-	-	-	-	-	24,029	-	-	-	(24,029)	-	-	-
Exchange differences related to foreign operations		-	-	-	-	-	-	-	-	(24,541)	-	(24,541)	-	(24,541)
Exchange differences related to associates and a joint venture		-	-	-	-	-	-	-	-	16,110	-	16,110	-	16,110
Total comprehensive income for the year		-	-	-	-	-	122,447	-	-	(8,431)	2,307,910	2,421,926	2,765,459	5,187,385
Share of changes in equity other than comprehensive income and distributions received from associates		-	-	-	15,250	-	-	-	-	-	-	15,250	-	15,250
Dividends paid to non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	-	(3,221,839)	(3,221,839)
Acquisitions of subsidiaries	38	-	-	-	-	-	-	-	-	-	-	-	24,799	24,799
Disposal of subsidiaries	39	-	-	-	-	-	-	-	-	-	-	-	(69,448)	(69,448)
Recognition of share-based payments	35	-	-	17,740	-	-	-	-	-	-	-	17,740	-	17,740
Repurchase of shares for cancellation	34	-	-	(41,414)	-	-	-	-	-	-	-	(41,414)	-	(41,414)
Repurchase of shares under share award scheme	34	-	-	(354,979)	-	-	-	-	-	-	-	(354,979)	-	(354,979)
Cancellation of treasury shares	34	(284)	(41,130)	41,414	-	-	-	-	-	-	-	-	-	-
Final 2022 dividend declared		-	-	-	-	-	-	-	-	-	(998,765)	(998,765)	-	(998,765)
Interim 2023 dividend	13	-	-	-	-	-	-	-	-	-	(332,324)	(332,324)	-	(332,324)
Transfer from retained profits		-	-	-	-	-	-	-	397,776	-	(397,776)	-	-	-
At 31 December 2023		414,615	12,420,308	(1,769,723)	(9,295,363)	28,176	187,972	22,691	5,686,141	(869,291)	23,648,943	30,474,469	7,695,484	38,169,953

* These reserve accounts comprise the consolidated reserves of approximately RMB31,829,577,000 (2022: approximately RMB30,764,620,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax			
From continuing operations		**5,409,906**	5,214,869
From discontinued operations	12	**523,673**	563,735
Adjustments for:			
Finance costs		**511,065**	439,058
Share of profits and losses of associates and a joint venture		**525,709**	152,976
Bank interest income		**(192,811)**	(201,441)
Investment income		**(342,555)**	(299,152)
Dividend income from equity investments at fair value through other comprehensive income	5	**(87,104)**	(14,193)
Depreciation of property, plant and equipment	15	**873,526**	807,180
Depreciation of investment properties	16	**27,274**	39,138
Depreciation of right-of-use assets	17	**64,386**	98,980
Amortisation of intangible assets	19	**109,098**	101,686
Gain on disposal of items of property, plant and equipment, net		**(62,689)**	(3,465)
Gain on disposal of subsidiaries	39	**(231,880)**	–
Gain on step-up acquisition of a subsidiary	38	**(33,189)**	–
Recognition of share-based payments	35	**18,123**	29,723
Loss on extinguishment of partial convertible bonds	6	**120,603**	9,591
Fair value (gains)/losses, net:			
Equity investments designated at fair value through profit or loss	6	**(62,198)**	198,067
Financial assets at fair value through profit or loss	6	**(8,416)**	(44,623)
Financial assets designated at fair value through profit or loss (non-current)	6	**117,518**	295,633
Gain on convertible bonds – embedded derivative instrument	6	**(161)**	(75,696)
Contingent consideration	6	**16,645**	(89,667)
Derivative financial instruments	6	**(46,985)**	107,109
Loss on termination of right-of-use assets	6	**5,538**	–
(Reversal)/impairment of trade and bills receivables	7	**(12,260)**	3,926
Impairment of intangible assets	7	**–**	19,401
		7,242,816	7,352,835
Decrease/(increase) in inventories		**135,323**	(391,103)
Increase in trade and bills receivables		**(816,029)**	(421,655)
Increase in prepayments, other receivables and other assets		**(480,790)**	(519,896)
Decrease/(increase) in amounts due from related companies		**176,619**	(48,408)
Increase/(decrease) in trade and bills payables		**284,301**	(55,801)
Increase in other payables and accruals		**658,831**	1,021,731
(Decrease)/increase in amounts due to related companies		**(246,449)**	144,917
(Decrease)/increase in deferred government grants		**(142,320)**	74,620
Cash generated from operations		**6,812,302**	7,157,240
Profits tax paid		**(746,568)**	(892,085)
Net cash flows from operating activities		**6,065,734**	6,265,155

Consolidated Statement of Cash Flows

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**192,810**	201,441
Investment income received		**342,555**	299,151
Dividends received from investments		**87,104**	14,193
Dividends received from an associate		**405,810**	879,255
Purchases of items of property, plant and equipment		**(1,067,823)**	(1,243,325)
Purchases of equity investments designated at fair value through other comprehensive income		**(22,600)**	(182,848)
Proceeds from disposal of an equity investment designated at fair value through other comprehensive income		**169,665**	210,372
Net cash outflow for acquisition of subsidiaries	38	**(1,156,519)**	–
Decrease/(increase) in wealth management products recorded in financial assets at fair value through profit or loss		**1,739,695**	(248,083)
(Increase)/decrease in wealth management products recorded in other receivables		**(1,553,257)**	569,500
Decrease/(increase) in equity investments designated at fair value through profit or loss		**9,035**	(96,631)
Proceeds from disposal of items of property, plant and equipment		**100,993**	27,892
Additions to intangible assets		**(406,778)**	(302,935)
Disposal of associates		**–**	(146,168)
Loan to an associate		**–**	87,643
Repayment of loan to related company		**–**	(17,210)
Increase in prepaid land lease payments		**(229,108)**	(159,352)
Investment in financial assets designated at fair value through profit or loss		**(74,150)**	(133,298)
Payment for contingent liabilities		**(8,741)**	(8,279)
Decrease/(increase) in time deposits with original maturity of more than three months		**300,521**	(3,822,137)
Proceeds from disposal subsidiaries	39	**413,813**	–
Net cash flows used in investing activities		**(756,975)**	(4,070,819)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**12,193,884**	9,752,976
Payment of derivative financial instruments		**(63,521)**	–
Repurchase of convertible bonds		**(3,621,944)**	(1,672,095)
Repayment of bank loans		**(10,283,992)**	(7,031,756)
Dividends paid		**(632,669)**	(1,267,622)
Interest paid		**(480,825)**	(339,524)
Payment of lease liabilities	17	**(41,691)**	(86,134)
Dividends paid to non-controlling shareholders		**(3,221,839)**	(1,697,572)
Repurchase of shares		**(396,393)**	(867,613)
Contribution from non-controlling shareholders		**–**	22,950
Net cash flows used in financing activities		**(6,548,990)**	(3,186,390)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(1,240,231)**	(992,054)
Cash and cash equivalents at beginning of year		**8,654,805**	9,599,537
Effect of foreign exchange rate changes, net		**90,524**	47,322
CASH AND CASH EQUIVALENTS AT END OF YEAR		**7,505,098**	8,654,805
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances, unrestricted	27	**4,203,568**	6,413,982
Time deposits with original maturity of less than three months when acquired	27	**3,098,310**	2,240,823
Cash and short term deposits attributable to discontinued operations	12	**203,220**	–
Cash and cash equivalents as stated in the statement of cash flows		**7,505,098**	8,654,805

1. CORPORATE AND GROUP INFORMATION

Sino Biopharmaceutical Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 2 February 2000 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares were listed on The Growth Enterprise Market (the "GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 29 September 2000. Upon approval by the Stock Exchange, the Company's shares were withdrawn from the GEM and were listed on the Main Board on 8 December 2003.

The head office and principal place of business of the Company in Hong Kong is located at Unit 9, 41st Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

During the year, the Company and its subsidiaries (the "Group") continued to be principally engaged in the research and development, production and sale of a series of modernised Chinese medicines and chemical medicines.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Company name	Place of incorporation/ registration and business	Issued ordinary/ registered paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Chia Tai-Tianqing Pharmaceutical Group Co., Ltd. ("CT Tianqing")	People's Republic of China ("PRC")/Chinese Mainland*	RMB890,000,000	–	60	R&D, manufacture and distribution of pharmaceutical products
Nanjing Chia Tai Tianqing Pharmaceutical Co., Ltd. ("NJCTT")	PRC/Chinese Mainland*	RMB336,031,726	–	55.6	R&D, manufacture and sale of pharmaceutical products
Jiangsu Chia Tai Qingjiang Pharmaceutical Co., Ltd. ("Jiangsu Qingjiang")	PRC/Chinese Mainland*	RMB180,000,000	–	55.588	R&D, manufacture and sale of pharmaceutical products
Jiangsu Chia Tai Fenghai Pharmaceutical Co., Ltd. ("Jiangsu Fenghai")	PRC/Chinese Mainland*	US$29,607,377	–	60.898	R&D, manufacture and sale of pharmaceutical products
CP Pharmaceutical Qingdao Co., Ltd. ("CP Qingdao")**	PRC/Chinese Mainland*	US$7,560,000	–	93	R&D, manufacture and sale of pharmaceutical products
Beijing Tide Pharmaceutical Co., Ltd. ("Beijing Tide")	PRC/Chinese Mainland*	RMB500,000,000	–	57.60	R&D, manufacture and sale of pharmaceutical products
invoX Pharma Limited ("invoX")	United Kingdom	USD100 Ordinary	100	–	R&D of pharmaceutical products

* These subsidiaries were registered as foreign-owned enterprises under PRC law.

** The board of directors of the Company resolved in December 2023 to adopt the plan for the disposal of the equity interest in its subsidiary, CP Qingdao, and subsequently resolved in February 2024 to dispose of part of the equity interest in CP Qingdao. Further details of this disposal are included in note 12 to the financial statements.

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments designated at fair value through other comprehensive income/profit or loss, financial assets at fair value through profit or loss, certain bills receivable measured at fair value through other comprehensive income, contingent consideration liabilities and embedded derivative components of convertible bonds which have been measured at fair value. Disposal company held for sale is stated at the lower of its carrying amount and fair value less cost to sell as further explained in note 2.4. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

2.1 BASIS OF PREPARATION (continued)

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 17	*Insurance Contracts*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

The nature and the impact of the new and revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. 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. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

As the Group did not apply the initial recognition exception and recognised a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases, the amendments had no impact on the Group's financial statements.

(d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments and the mandatory temporary exception retrospectively. Further disclosures are included in note 11 to the financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*[1,4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*[1,4]
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*[1]
Amendments to HKAS 21	*Lack of Exchangeability*[2]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

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

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

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

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

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

2.4 MATERIAL ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it 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 type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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

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

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

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed 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. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

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

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

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

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

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

Fair value measurement

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

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

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

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

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

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

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

Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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

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

Buildings	4% to 6%
Leasehold improvements	5% to 20%
Plant and machinery	5% to 9%
Motor vehicles	9% to 18%
Furniture and fixtures	18%

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

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

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

Investment properties

Investment properties are interests in land and buildings (including right-of-use assets) held to earn rental income and/or for capital appreciation. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at historical cost less accumulated depreciation and provision for any impairment in value. Depreciation is calculated on the straight-line basis over the expected useful life of 20 years.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the statement of profit or loss during the financial period in which they are incurred.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

When an entity uses the cost model, transfers between investment property and owner-occupied property do not change the carrying amount of the property transferred and the cost of that property for measurement or disclosure purposes.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Intangible assets (other than goodwill)

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

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

Unpatented technology

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

Trademarks

Trademarks with finite useful lives are measured initially at cost and are amortised on the straight-line basis over the respective estimated useful lives of 4 to 10 years.

Customer relationship

Customer relationship with finite useful lives is measured initially at cost and is amortised on the straight-line basis over the respective estimated useful lives of 4 to 10 years.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill) (continued)

Patents and licences

Purchased patents and licences are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of not exceeding 10 years.

Research and development costs

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

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

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five years, commencing from the date when the products are put into commercial production.

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

Leasehold land	40 to 50 years
Properties	Over 1 year but less than 10 years

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(b) *Lease liabilities*

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

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

The Group's lease liabilities are presented in a separate line on the consolidated statements of financial position.

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

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

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

Group as a lessor

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

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income is accounted for on a straight-line basis over the lease terms and is included in other income in the statement of profit or loss due to its operating nature.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

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

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

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

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

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

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

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

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Derecognition of financial assets

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

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

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

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

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

Impairment of financial assets

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

General approach

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

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

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

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

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

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

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

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

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

Simplified approach

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Financial liabilities

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

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

The Group's financial liabilities include trade and bills payables, other payables and accruals, amounts due to related companies, interest-bearing bank borrowings, contingent consideration and convertible bonds.

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

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include contingent consideration which is designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Treasury shares

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Cash and cash equivalents (continued)

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

Provisions

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

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

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general policy for provisions above; and (ii) the amount initially recognised less, when appropriate, the amount of income recognised in accordance with the policy for revenue recognition.

Income tax

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

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

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

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

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

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

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

Government grants

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

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue from contracts with customers

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

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

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

Sale of products

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

Other income

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

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

Contract liabilities

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Share-based payments

The Company operates a share option scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transaction"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using the market approach.

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

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

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

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

Other employee benefits

Pension schemes

The Company and the Group's subsidiaries which operate in Hong Kong operate a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Other employee benefits (continued)

Pension schemes (continued)

The employees of the Group's subsidiaries which operate in Chinese Mainland are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

There were no forfeited contributions utilised by the Group to reduce existing level of contributions for the years ended 31 December 2022 and 2023.

Borrowing costs

All borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

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

Foreign currencies

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currency of the Company is Hong Kong dollar, while the functional currency of the subsidiaries in Chinese Mainland is RMB. The directors of the Company believe the consolidated financial statements of the Group presented in RMB will provide shareholders with a more accurate reflection of the Group's underlying financial performance and position because the Group's revenues, profits and cash flows are primarily generated in RMB and are expected to remain principally denominated in RMB in the future.

Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

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

The functional currencies of the Company and certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

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

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Recognition of deferred tax assets

The Group recognised deferred tax assets which resulted from the deductible temporary differences of subsidiaries. The Group recognised deferred tax assets to the extent that it is probable that the subsidiaries will have sufficient taxable profit relating to the same taxation authority and the same taxable entity against which the deductible temporary differences can be utilised. More details are given in note 33.

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. More details are given in note 18.

Assessment of useful lives of deferred development costs

In assessing the estimated useful lives of deferred development costs, the Group takes into account factors such as the expected life span of the underlying pharmaceutical products based on past experience or from a change in the market demand for the products. The estimation of the useful lives is based on the experience of management.

Fair value measurement for Level 3 investments

The Group made unlisted investments in a wide variety of companies and those investments are accounted for as financial assets at fair value through profit or loss or designated as financial assets at fair value through other comprehensive income. The fair values of those investments are determined using valuation techniques and the Group uses its judgement to select a variety of methods and makes assumptions that are mainly based on market conditions existing at the end of each reporting period. Further details are included in note 44. Should any of the estimates and assumptions changed, it may lead to a material change in the respective fair values of these financial assets.

4. OPERATING SEGMENT INFORMATION

Management considers the business from the product/service perspective. The three reportable segments are as follows:

(a) the modernised Chinese medicines and chemical medicines segment comprises the manufacture, sale and distribution of modernised Chinese medicine products and western medicine products;

(b) the investment segment is engaged in long term investments; and

(c) the "others" segment comprises, principally related healthcare and hospital business.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax from continuing operations.

Segment assets exclude deferred tax assets and the investments in associates and a joint venture as these assets are managed on a group basis.

Segment liabilities exclude tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2023

	Modernised Chinese medicines and chemical medicines RMB'000	Investment RMB'000	Others RMB'000	Total RMB'000
Segment revenue (note 5)				
Sales to external customers	25,771,303	–	428,106	26,199,409
Segment results	6,525,182	(405,888)	19,878	6,139,172
Reconciliation:				
Interest and unallocated gains				389,494
Share of profits and losses of associates and a joint venture				(525,710)
Unallocated expenses				(593,050)
Profit before tax from continuing operations				5,409,906
Income tax expense				(797,267)
Profit for the year from continuing operations				4,612,639
Segment assets	40,489,011	7,791,693	1,600,722	49,881,426
Reconciliation:				
Investments in associates and a joint venture				12,243,675
Other unallocated assets				567,012
Assets related to discontinued operations				912,706
Total assets				63,604,819
Segment liabilities	16,116,328	7,261,854	764,411	24,142,593
Reconciliation:				
Other unallocated liabilities				1,053,414
Liabilities related to discontinued operations				238,859
Total liabilities				25,434,866
Other segment information				
Depreciation and amortisation	1,005,227	14,724	16,744	1,036,695
Capital expenditure*	2,377,188	11,776	253,951	2,642,915
Other non-cash expenses	18,123	–	–	18,123

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2022

	Modernised Chinese medicines and chemical medicines RMB'000	Investment RMB'000	Others RMB'000	Total RMB'000
Segment revenue (note 5)				
Sales to external customers	25,477,419	–	548,745	26,026,164
Segment results	6,355,633	(780,468)	77,848	5,653,013
Reconciliation:				
Interest and unallocated gains				346,540
Share of profits and losses of associates and a joint venture				(152,976)
Unallocated expenses				(631,708)
Profit before tax from continuing operations				5,214,869
Income tax expense				(696,716)
Profit for the year from continuing operations				4,518,153
Segment assets	39,287,554	9,463,228	1,610,196	50,360,978
Reconciliation:				
Investments in associates and a joint venture				13,198,157
Other unallocated assets				505,149
Total assets				64,064,284
Segment liabilities	13,491,829	10,896,508	793,153	25,181,490
Reconciliation:				
Other unallocated liabilities				939,246
Total liabilities				26,120,736
Other segment information				
Depreciation and amortisation	969,615	14,273	7,255	991,143
Capital expenditure*	1,742,660	8,326	8,938	1,759,924
Other non-cash expenses	19,401	–	44	19,445

* Capital expenditure consists of additions to property, plant and equipment, investment properties and intangible assets including assets from the acquisition of subsidiaries.

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

No further geographical information is presented as over 90% of the Group's revenue from continuing operations is derived from customers based in Chinese Mainland.

(b) Non-current assets

	2023 RMB'000	2022 RMB'000
Hong Kong	**8,987,602**	7,241,145
Mainland China	**16,239,046**	17,973,761
Other countries/regions	**430,164**	377,899
	25,656,812	25,592,805

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

Information about a major customer

No information about major customers is presented as no single customer contributed to over 10% or more of the Group's revenue for the years ended 31 December 2023 and 2022.

5. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

	2023 RMB'000	2022 RMB'000
Revenue from contracts with customers		
Sale of products	**25,771,303**	25,477,419
Revenue from other sources	**428,106**	548,745
	26,199,409	26,026,164

5. REVENUE AND OTHER INCOME (continued)

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended 31 December 2023

Segments	Modernised Chinese medicines and chemical medicines RMB'000	Investment RMB'000	Others RMB'000	Total RMB'000
Types of goods or services				
Sale of products	25,771,303	–	–	25,771,303
Revenue from other sources	–	–	428,106	428,106
	25,771,303	–	428,106	26,199,409
Timing of revenue recognition				
Products transferred at a point in time	25,771,303	–	–	25,771,303
Services transferred over time	–	–	428,106	428,106
	25,771,303	–	428,106	26,199,409

For the year ended 31 December 2022

Segments	Modernised Chinese medicines and chemical medicines RMB'000	Investment RMB'000	Others RMB'000	Total RMB'000
Types of goods or services				
Sale of products	25,477,419	–	–	25,477,419
Revenue from other sources	–	–	548,745	548,745
	25,477,419	–	548,745	26,026,164
Timing of revenue recognition				
Products transferred at a point in time	25,477,419	–	–	25,477,419
Services transferred over time	–	–	548,745	548,745
	25,477,419	–	548,745	26,026,164

5. REVENUE AND OTHER INCOME (continued)

Revenue from contracts with customers (continued)

(a) *Disaggregated revenue information (continued)*

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

	2023 RMB'000	2022 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of products	249,747	200,649
Revenue from other sources	61,046	37,553
	310,793	238,202

(b) *Performance obligations*

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

Sale of products

The performance obligation is satisfied upon delivery of the products and payment is generally due within 90 days upon delivery.

Revenue from other sources

The performance obligation is satisfied over time as the customer simultaneously receives and consumes the benefits of the Group's services rendered and payment is generally made before services provided or upon monthly settlements.

	2023 RMB'000	2022 RMB'000
Other income		
Bank interest income	186,675	195,908
Dividend income	87,104	14,193
Government grants*	346,477	113,358
Sale of materials	21,331	31,173
Investment income	337,598	262,274
Rental income	8,964	15,469
Others	146,283	57,251
	1,134,432	689,626

5. REVENUE AND OTHER INCOME (continued)

Revenue from contracts with customers (continued)

(b) Performance obligations (continued)

Revenue from other sources (continued)

* The government grants related to income have been received from the local government authorities to support certain subsidiaries' operating activities. There are no unfulfilled conditions relating to these government grants. Government grants received for which related expenditure has not yet been undertaken are included in deferred government grants in the statement of financial position.

The government grants related to assets have been received for the investments in long-term assets in production bases. The grants related to assets were recognised in profit or loss over the remaining useful lives of relevant assets.

6. OTHER LOSSES, NET

	2023 RMB'000	2022 RMB'000
Gain on disposal of items of property, plant and equipment	62,554	3,465
Foreign exchange (losses)/gains, net	(96,015)	138,216
Fair value gains/(losses), net:		
Equity investments designated at fair value through profit or loss	62,198	(198,067)
Financial assets at fair value through profit or loss	8,416	44,623
Financial assets at fair value through profit or loss (non-current)	(117,518)	(295,633)
Convertible bond embedded derivative component	161	75,696
Contingent consideration	(16,645)	89,667
Derivative financial instruments	46,985	(107,109)
Loss on termination of right-of-use assets	(5,538)	–
Loss on extinguishment of partial convertible bonds	(120,603)	(9,591)
Gain on step acquisition of pHion Therapeutics Ltd. ("pHion")*	33,189	–
	(142,816)	(258,733)

* Gain on step acquisition of pHion represented the gain on remeasurement of the interests previously held and classified as an associate on the acquisition date with the amount of RMB34,098,000 and the loss transferred from the accumulated exchange fluctuation reserve with the amount of RMB909,000.

7. PROFIT BEFORE TAX

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

	Notes	**2023 RMB'000**	2022 RMB'000
Cost of inventories sold		**4,989,877**	4,487,616
Depreciation of property, plant and equipment	15	**836,116**	766,610
Depreciation of investment properties	16	**27,274**	39,138
Depreciation of right-of-use assets	17	**64,207**	98,980
Amortisation of intangible assets	19	**109,098**	86,415
Research and development costs		**4,402,973**	4,164,498
(Gain)/Loss on disposal of items of property, plant and equipment	6	**(62,554)**	(3,465)
Loss on termination of right-of-use assets	6	**5,538**	–
Loss on extinguishment of partial convertible bonds	6	**120,603**	9,591
Gain on step acquisition of pHion	6	**(33,189)**	–
Bank interest income	5	**(186,675)**	(195,908)
Investment income	5	**(337,598)**	(262,274)
Fair value (gains)/losses, net:	6		
Equity investments designated at fair value through profit or loss		**(62,198)**	198,067
Financial assets at fair value through profit or loss		**(8,416)**	(44,623)
Financial assets at fair value through profit or loss (Non-current)		**117,518**	295,633
Convertible bond embedded derivative component		**(161)**	(75,696)
Contingent consideration		**16,645**	(89,667)
Derivative financial instruments		**(46,985)**	107,109
Minimum lease payments under operating leases:			
Lease payments not included in the measurement of lease liabilities		**139,878**	116,657
Auditor's remuneration		**6,000**	6,000
Employee benefit expense (including directors' remuneration (note 9)) in selling and distribution costs and administrative expenses:			
Wages and salaries		**3,400,119**	3,608,468
Pension scheme contributions		**934,789**	1,026,345
Equity settled share-based payments		**18,123**	29,723
		4,353,031	4,664,536
Impairment of trade receivables	25	**(3,535)**	5,261
Impairment of intangible assets*	19	**–**	19,401
Foreign exchange losses/(gains), net		**96,015**	(138,216)

* The impairment of intangible assets was included in "Other expenses" in the consolidated statement of profit or loss.

8. FINANCE COSTS

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

	2023 RMB'000	2022 RMB'000
Interest on bank borrowings	**465,006**	330,227
Interest on convertible bonds	**10,427**	81,872
Interest on lease liabilities	**19,804**	17,395
	495,237	429,494

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2023 RMB'000	2022 RMB'000
Fees	**1,846**	1,669
Other emoluments:		
Salaries, allowances and benefits in kind	**94,308**	101,931
Pension scheme contributions	**182**	226
Discretionary bonuses	**107,071**	101,335
Employee restricted share award scheme	**–**	21,978
Subtotal	**201,561**	225,470
	203,407	227,139

(a) Independent non-executive directors

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

	2023 RMB'000	2022 RMB'000
Mr. Lu Zhengfei	**376**	340
Mr. Li Dakui	**376**	340
Ms. Lu Hong	**342**	309
Mr. Zhang Lu Fu	**376**	340
Dr. Li Kwok Tung Donald	**376**	340
	1,846	1,669

There were no other emoluments payable to the independent non-executive directors during the year (2022: Nil).

9. DIRECTORS AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors and the chief executive

2023

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Employee restricted share award scheme RMB'000	Pension scheme benefits RMB'000	Total remuneration RMB'000
Executive directors:						
Ms. Tse, Theresa Y Y	–	22,560	27,115	–	16	49,691
Mr. Tse Ping	–	22,415	27,115	–	–	49,530
Ms. Cheng Cheung Ling	–	22,325	20,788	–	16	43,129
Mr. Tse Hsin	–	2,058	4,338	–	16	6,412
Mr. Tian Zhoushan	–	1,790	–	–	118	1,908
Ms. Li Mingqin	–	600	600	–	–	1,200
Chief executive:						
Mr. Tse, Eric S Y	–	22,560	27,115	–	16	49,691
	–	94,308	107,071	–	182	201,561

2022

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Employee restricted share award scheme RMB'000	Pension scheme benefits RMB'000	Total remuneration RMB'000
Executive directors:						
Ms. Tse, Theresa Y Y	–	15,627	24,015	–	15	39,657
Mr. Tse Ping	–	19,727	26,588	–	–	46,315
Ms. Cheng Cheung Ling	–	18,010	17,154	–	15	35,179
Mr. Tse Hsin	–	1,895	4,117	–	15	6,027
Mr. Tian Zhoushan	–	1,760	–	–	111	1,871
Ms. Li Mingqin	–	600	600	–	–	1,200
Mr. Li Yi, David (resigned on 28 July 2022)	–	28,400	11,707	21,978	9	62,094
Mr. Wang Shanchun (resigned on 2 November 2022)	–	800	–	–	46	846
Chief executive:						
Mr. Tse, Eric S Y	–	15,112	17,154	–	15	32,281
	–	101,931	101,335	21,978	226	225,470

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

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year represented five directors including the chief executive (2022: five directors including the chief executive), details of whose remuneration are set out in note 9 above.

11. INCOME TAX

Taxes on profits have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2023 RMB'000	2022 RMB'000
Current-Hong Kong	–	–
Current-Chinese Mainland	608,335	692,188
Deferred tax (note 33)	188,932	4,528
Total tax charge for the year from continuing operations	797,267	696,716
Total tax charge for the year from discontinued operations	38,914	79,270
	836,181	775,986

The Company incorporated in the Cayman Islands is not subject to tax on income or capital gains under the law of the Cayman Islands. In addition, dividend payments are not subject to withholding tax in the Cayman Islands.

The subsidiaries incorporated in the British Virgin Islands (the "BVI") are not subject to income tax as these subsidiaries do not have a place of business (other than a registered office only) or carry on any business in the BVI.

The subsidiaries incorporated in Hong Kong is subject to Hong Kong profits tax at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

The subsidiary incorporated in the United Kingdom ("UK") is subject to UK Corporate Income Tax at a rate of 19% from January 2023 to March 2023 and 25% from April 2023 (2022: 19%) on the estimated assessable profits arising in the UK.

Belgium profits tax has been provided at a rate of 25% (2022: 25%) on the estimated assessable profits arising in Belgium during the year.

The provision for corporate income tax in Chinese Mainland is based on the statutory rate of 25% of the assessable profits as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

Certain subsidiaries operating in Chinese Mainland were entitled to a preferential corporate income tax rate of 15% during the year because they were qualified as "High and New Technology Enterprises".

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Chinese Mainland. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Chinese Mainland and the jurisdiction of the foreign investors. The Group is therefore liable to withholding taxes on dividends distributed by subsidiaries and associates established in Chinese Mainland in respect of earnings generated from 1 January 2008 with 5% and 10%, respectively.

11. INCOME TAX (continued)

A reconciliation of the tax expense/(credit) applicable to profit before tax using the statutory tax rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

2023

	Chinese Mainland RMB'000	Hong Kong RMB'000	Others RMB'000	Total RMB'000
Profit/(loss) before tax from continuing operations	7,320,704	(1,160,909)	(749,889)	5,409,906
Profit before tax from a discontinued operation	523,673	–	–	523,673
	7,844,377	(1,160,909)	(749,889)	5,933,579
Tax at the statutory tax rate	1,961,094	(191,550)	(187,472)	1,582,072
Less: Preferential tax rate reduction	(806,122)	–	–	(806,122)
Income not subject to tax	(2,935)	(45,879)	–	(48,814)
Expenses not deductible for tax	76,111	227,755	–	303,866
Additional tax deduction for research and development expenses	(486,040)	–	–	(486,040)
Tax losses not recognised	9,985	10,230	150,509	170,724
	752,093	556	(36,963)	715,686
Effect of withholding tax at 5% on the distributable profits of the Group's subsidiaries operating in Chinese Mainland				163,481
Effect of withholding tax at 10% on the distributable profits of the Group's associate operating in Chinese Mainland				(42,986)
Tax charge at the Group's effective rate				836,181
Tax charge from continuing operations at the effective rate				797,267
Tax charge from discontinued operations at the effective rate				38,914

11. INCOME TAX (continued)

2022

	Chinese Mainland RMB'000	Hong Kong RMB'000	Others RMB'000	Total RMB'000
Profit/(loss) before tax from continuing operations	6,356,567	(1,059,697)	(82,001)	5,214,869
Profit before tax from discontinued operations	563,735	–	–	563,735
	6,920,302	(1,059,697)	(82,001)	5,778,604
Tax at the statutory tax rate	1,730,075	(174,850)	(20,500)	1,534,725
Less: Preferential tax rate reduction	(731,840)	–	–	(731,840)
Income not subject to tax	(1,138)	(53,496)	(22,417)	(77,051)
Expenses not deductible for tax	67,924	222,150	–	290,074
Additional tax deduction for research and development expenses	(481,502)	–	–	(481,502)
Tax losses not recognised	32,841	6,196	33,115	72,152
	616,360	–	(9,802)	606,558
Effect of withholding tax at 5% on the distributable profits of the Group's subsidiaries operating in Chinese Mainland				165,119
Effect of withholding tax at 10% on the distributable profits of the Group's associate operating in Chinese Mainland				4,309
Tax charge at the Group's effective rate				775,986
Tax charge from continuing operations at the effective rate				696,716
Tax charge from discontinued operations at the effective rate				79,270

Pillar Two income taxes

As stated in note 2.2(d), the Group has applied the mandatory exception to recognising and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes, and will account for the Pillar Two income taxes as current tax when incurred. Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Group operates, and the legislation will be effective for the Group's financial year beginning 1 January 2024. The Group is in scope of the new tax legislation. However, the legislation was enacted close to the reporting date. Therefore, the Group is still in the process of assessing the potential exposure to Pillar Two income taxes. Potential exposure, if any, to Pillar Two income taxes is currently not known or reasonably estimable. The Group expects to be in a position to report potential exposure in the next interim financial statements for the period ending 30 June 2024.

12. DISCONTINUED OPERATION

In June 2023, the board of directors of the Company resolved to dispose of the equity interests in three subsidiaries engaged in commercial distribution business in Chinese Mainland, namely Suzhou Tianqing Xingwei Medicines Co., Ltd. ("Suzhou Xingwei"), Lianyungang Chia Tai Tianqing Medicines Co., Ltd. ("Lianyungang Tianqing") and Zhejiang Tianqing Zhongwei Medicines Co., Ltd. ("Zhejiang Zhongwei") (or collectively referred to as "Commercial Distribution Subsidiaries"). The disposal of the Commercial Distribution Subsidiaries was completed in December 2023, and the Group no longer holds any equity interest in the Commercial Distribution Subsidiaries.

In June 2023, the board of directors of the Company resolved to dispose of the equity interest in its subsidiary Shanghai Chia Tai Tongyong Pharmaceutical Co., Ltd. ("CT Tongyong"). The disposal of CT Tongyong was completed during the year, and the Group no longer holds any equity interest in CT Tongyong.

The board of directors of the Company resolved in December 2023 to adopt the plan for the disposal of the equity interest in its subsidiary, CP Pharmaceutical Qingdao Co., Ltd. ("CP Qingdao"). In February 2024, the subsidiaries of the Company, being the shareholders of CP Qingdao entered into agreement to dispose part of the equity interest in CP Qingdao. The disposal of CP Qingdao is expected to be completed within the first quarter of 2024. Upon the completion of the disposal, the interest of the Group in CP Qingdao will decrease from 93% to 26%.

The Group has decided to divest its commercial distribution business in Chinese Mainland and the osteoporosis medicines and marine pharmaceuticals business in order to further focus on its four core therapeutic areas of oncology, liver diseases, respiratory diseases and surgery/analgesia.

As at 31 December 2023, the disposal plan of CP Qingdao was under implementation and CP Qingdao was therefore classified as a disposal group held for sale and as a discontinued operation. As the disposals of the Commercial Distribution Subsidiaries and CT Tongyong were completed during the year, Commercial Distribution Subsidiaries and CT Tongyong were recorded as discontinued operations.

The results of the Commercial Distribution Subsidiaries and CT Tongyong for the year are presented below:

	2023 **RMB'000**	2022 RMB'000
Revenue	**1,143,739**	1,260,528
Expenses	**(1,091,962)**	(1,248,724)
Finance costs	**(15,801)**	(9,551)
Gains on disposal of the discontinued operations	**231,880**	–
Profit before tax from the discontinued operations	**267,856**	2,253
Income tax:		
Related to pre-tax profit	**(8,304)**	(5,843)
Profit/(loss) for the year from the discontinued operations	**259,552**	(3,590)

12. DISCONTINUED OPERATIONS (continued)

The results of the CP Qingdao for the year are presented below:

	2023 RMB'000	2022 RMB'000
Revenue	**639,149**	1,493,720
Expenses	**(383,305)**	(932,225)
Finance costs	**(27)**	(13)
Profit before tax from the discontinued operation	**255,817**	561,482
Income tax:		
Related to pre-tax profit	**(30,610)**	(73,427)
Profit for the year from the discontinued operation	**225,207**	488,055

The major classes of assets and liabilities of CP Qingdao classified as held for sale as at 31 December are as follows:

	2023 RMB'000
Assets	
Property, plant and equipment	**387,822**
Right-of-use assets	**44,377**
Goodwill	**2,152**
Intangible assets	**14,582**
Prepayments and other asset	**127**
Deferred tax assets	**11,553**
Inventories	**71,045**
Trade and bill receivables	**153,579**
Prepayments, other receivables and other assets	**24,249**
Cash and bank balances	**203,220**
Assets classified as held for sale	**912,706**
Liabilities	
Trade and bill payables	**23,185**
Tax payable	**8,445**
Other payables and accruals	**147,320**
Deferred tax liabilities	**1,029**
Deferred government grants	**58,478**
Lease liabilities	**402**
Liabilities directly associated with the assets classified as held for sale	**238,859**
Net assets directly associated with the disposal group	**673,847**

12. DISCONTINUED OPERATIONS (continued)

The net cash flows incurred by the commercial distribution subsidiaries and CT Tongyong are as follows:

	2023 RMB'000	2022 RMB'000
Operating activities	64,926	174,879
Investing activities	(42,445)	(89,378)
Financing activities	(54,295)	27,377
Net cash (outflow)/inflow	(31,814)	112,878

The net cash flows incurred by the CP Qingdao are as follows:

	2023 RMB'000	2022 RMB'000
Operating activities	80,462	345,361
Investing activities	66,118	25,292
Financing activities	–	67
Net cash inflow	146,580	370,720
Earnings per share:		
Basic, from the discontinued operations	RMB2.38 cents	RMB2.35 cents
Diluted, from the discontinued operations	RMB2.38 cents	RMB2.29 cents

The calculations of basic and diluted earnings per share from the discontinued operations are based on:

	2023 RMB'000	2022 RMB'000
Profit attributable to ordinary equity holders of the parent from the discontinued operations	440,599	436,942
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation (note14)	18,529,064,920	18,622,248,991
Weighted average number of ordinary shares used in the diluted earnings per share calculation (note 14)	18,529,064,920	19,017,201,976

13. DIVIDENDS

	2023 RMB'000	2022 RMB'000
Interim – HK$0.02 (equivalent to RMB0.01715) (2022: HK$0.06 (equivalent to RMB0.05146)) per ordinary share	**332,324**	951,133
Proposed final – HK$0.03 (equivalent to RMB0.02726) (2022: HK$0.06 (equivalent to RMB0.05309)) per ordinary share	**500,194**	980,519
	832,518	1,931,652

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

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent for the year of approximately RMB2,331,939,000 (2022: approximately RMB2,543,570,000), and the weighted average number of ordinary shares of 18,529,064,920 (2022: 18,622,248,991) in issue during the year.

The calculation of the diluted earnings per share amounts for the year ended 31 December 2022 is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the convertible bonds, fair value changes on the embedded derivative components of convertible bonds and the exchange alignment on the convertible bonds. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic earnings per share amounts presented for the year ended 31 December 2023 in respect of a dilution as the impact of the convertible bonds outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

14. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (continued)

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

	2023 RMB'000	2022 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:		
From continuing operations	1,891,340	2,106,628
From discontinued operations	440,599	436,942
Subtotal	2,331,939	2,543,570
Interest on convertible bonds	10,427	81,872
Exchange adjustments	80,326	(248,137)
Fair value gain on the derivative component of the convertible bonds	(161)	(75,696)
Loss on extinguishment of partial convertible bonds	120,603	9,591
Profit attributable to ordinary equity holders of the parent before interest on convertible bonds	2,543,134	2,311,200
Attributable to:		
Continuing operations	2,102,535	1,874,258
Discontinued operations	440,599	436,942
	2,543,134	2,311,200

	No. of shares 2023	No. of shares 2022
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	18,529,064,920	18,622,248,991
Effect of dilution – weighted average number of ordinary shares:		
Convertible bonds	46,015,510	394,952,985
	18,575,080,430	19,017,201,976

15. PROPERTY, PLANT AND EQUIPMENT

31 December 2023

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2023:						
Cost	3,870,556	4,473,478	218,859	1,999,448	1,804,333	12,366,674
Accumulated depreciation	(1,111,310)	(1,767,684)	(182,043)	(1,546,045)	–	(4,607,082)
Net carrying amount	2,759,246	2,705,794	36,816	453,403	1,804,333	7,759,592
At 1 January 2023, net of accumulated depreciation	2,759,246	2,705,794	36,816	453,403	1,804,333	7,759,592
Additions	8,350	274,911	1,230	65,197	1,172,626	1,522,314
Depreciation provided during the year	(183,781)	(663,227)	(8,201)	(18,317)	–	(873,526)
Acquisition of a subsidiary (note 38)	–	8,592	–	–	–	8,592
Disposals	(3,508)	(10,334)	(974)	(23,488)	–	(38,304)
Disposal of subsidiaries (note 39)	(22,176)	(44,911)	(2,633)	(10,498)	(18,603)	(98,821)
Assets included in a discontinued operation of CP Qingdao (note 12)	(352,146)	(34,807)	(140)	(729)	–	(387,822)
Transfer from construction in progress	556,790	583,486	1,392	131,173	(1,272,841)	–
Transfer from investment properties (note 16)	193,021	–	–	–	–	193,021
Transfer to investment properties (note 16)	(1,506)	–	–	–	–	(1,506)
Exchange realignment	(1,375)	(132)	(55)	(1,071)	–	(2,633)
	2,952,915	2,819,372	27,435	595,670	1,685,515	8,080,907
At 31 December 2023:						
Cost	4,248,006	5,250,283	217,679	2,160,032	1,685,515	13,561,515
Accumulated depreciation	(1,295,091)	(2,430,911)	(190,244)	(1,564,362)	–	(5,480,608)
Net carrying amount	2,952,915	2,819,372	27,435	595,670	1,685,515	8,080,907

15. PROPERTY, PLANT AND EQUIPMENT (continued)

31 December 2022

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2022:						
Cost	3,571,121	4,062,847	223,659	1,845,261	1,426,226	11,129,114
Accumulated depreciation	(993,263)	(1,574,571)	(189,532)	(1,217,450)	–	(3,974,816)
Net carrying amount	2,577,858	2,488,276	34,127	627,811	1,426,226	7,154,298
At 1 January 2022, net of accumulated depreciation	2,577,858	2,488,276	34,127	627,811	1,426,226	7,154,298
Additions	1,139	99,004	31,527	121,137	1,204,182	1,456,989
Depreciation provided during the year	(204,985)	(222,641)	(22,318)	(357,236)	–	(807,180)
Disposals	(471)	(15,060)	(7,075)	(1,821)	–	(24,427)
Transfer from construction in progress	406,501	356,198	–	63,376	(826,075)	–
Transfer to investment properties (note 16)	(30,765)	–	–	–	–	(30,765)
Exchange realignment	9,969	17	555	136	–	10,677
	2,759,246	2,705,794	36,816	453,403	1,804,333	7,759,592
At 31 December 2022:						
Cost	3,870,556	4,473,478	218,859	1,999,448	1,804,333	12,366,674
Accumulated depreciation	(1,111,310)	(1,767,684)	(182,043)	(1,546,045)	–	(4,607,082)
Net carrying amount	2,759,246	2,705,794	36,816	453,403	1,804,333	7,759,592

As at 31 December 2023, certain of the Group's buildings with a net carrying amount of approximately RMB220,200,000 (2022: approximately RMB250,809,000) were pledged to secure general banking facilities granted to the Group (note 30).

16. INVESTMENT PROPERTIES

	2023 RMB'000	2022 RMB'000
At 1 January:		
Cost	**1,026,678**	897,254
Accumulated depreciation	**(305,924)**	(191,628)
Net carrying amount	**720,754**	705,626
At 1 January, net of accumulated depreciation	**720,754**	705,626
Transfer from property, plant and equipment (note 15)	**1,506**	30,765
Depreciation provided during the year	**(27,274)**	(39,138)
Transfer to property, plant and equipment (note 15)	**(193,021)**	–
Transfer to right-of-use assets (note 17)	**(220,132)**	–
Effect of foreign exchange rate changes, net	**7,509**	23,501
At 31 December, net of accumulated depreciation	**289,342**	720,754
At 31 December:		
Cost	**572,889**	1,026,678
Accumulated depreciation	**(283,547)**	(305,924)
Net carrying amount	**289,342**	720,754

The Group's investment properties consist of two commercial properties in Hong Kong (2022: two), ten commercial properties in Chinese Mainland (2022: eight), one industrial property in Chinese Mainland (2022: one) which are held to earn rentals. The properties are measured initially and subsequently at cost. Depreciation commences on the day the transaction of purchase is completed and is calculated on the straight-line basis over 20 to 50 years.

The Group's investment properties located in Hong Kong and in Chinese Mainland as at 31 December 2023 were revalued as at that date by independent professionally qualified external appraisal firms Shanghai Oriental Appraisal Ltd., with fair value of approximately RMB380,899,000 (2022: RMB377,099,000) and RMB138,220,000 (2022: RMB725,391,000), respectively.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 17 to the financial statements.

As at 31 December 2023, no investment properties have been mortgaged for bank loans as mentioned in note 30 to the financial statements (2022: HK$314,427,000 (approximately equivalent to RMB278,179,000)).

16. INVESTMENT PROPERTIES (continued)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Investment properties	–	–	519,119	519,119

31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Investment properties	–	–	1,102,490	1,102,490

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2022: Nil).

Below is a summary of the valuation technique used and the key inputs to the valuation of investment properties:

Hongkong	Valuation technique	Significant unobservable inputs	Range or weighted average 2023	2022
Investment properties	Market comparison method	Adjusted market price	RMB10,912 to RMB15,756 per square foot	RMB10,618 to RMB16,200 per square foot

Chinese Mainland	Valuation technique	Significant unobservable inputs	Range or weighted average 2023	2022
Investment properties	Discounted cash flow method	Estimated rental value (per square meter and per year)	RMB342 to RMB454 per square meter	RMB342 to RMB454 per square meter
		Rent growth	2% to 5%	2% to 5%
		Discount rate	7%	7%

17. LEASES

The Group as a lessee

The Group has lease contracts for various items of leasehold lands and properties used in its operations. Lump sum payments were made upfront to acquire the leased lands from the owners with lease periods of 40 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of properties generally have lease terms above 1 year to 10 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold lands RMB'000	Properties RMB'000	Total RMB'000
As at 1 January 2022	1,007,306	354,458	1,361,764
Additions	159,352	46,378	205,730
Depreciation charge	(25,905)	(73,075)	(98,980)
Exchange realignment	–	23,077	23,077
As at 1 January 2023	1,140,753	350,838	1,491,591
Additions	229,108	50,449	279,557
Termination of lease contracts	–	(22,128)	(22,128)
Depreciation charge	(24,299)	(40,087)	(64,386)
Assets included in a discontinued operation of CP Qingdao (note 12)	(44,018)	(359)	(44,377)
Disposal of subsidiaries (note 39)	(7,429)	(4,858)	(12,287)
Transfer from investment properties (note 16)	220,132	–	220,132
Exchange realignment	–	(16,848)	(16,848)
As at 31 December 2023	1,514,247	317,007	1,831,254

As at 31 December 2023, Leasehold lands with a net carrying amount of approximately RMB256,712,000 (2022: RMB304,841,000) were pledged to secure general banking facilities granted to the Group (note 30).

17. LEASES (continued)

The Group as a lessee (continued)

(b) *Lease liabilities*

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

	2023 RMB'000	2022 RMB'000
Carrying amount at 1 January	384,694	384,422
New leases	49,277	43,502
Termination of lease contracts	(16,590)	–
Accretion of interest recognised during the year	19,813	17,725
Payments	(41,691)	(86,134)
Liabilities included in a discontinued operation of CP Qingdao (note 12)	(402)	–
Disposal of subsidiaries (note 39)	(10,937)	–
Exchange realignment	(14,282)	25,179
Carrying amount at 31 December	369,882	384,694
Analysed into:		
Current portion	71,488	60,431
Non-current portion	298,394	324,263

The maturity analysis of lease liabilities is disclosed in note 45 to the financial statements.

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

	2023 RMB'000	2022 RMB'000
Interest on lease liabilities	19,813	17,725
Depreciation charge of right-of-use assets	64,386	91,691
Expense relating to leases of short-term and low-value assets (included in administrative expenses)	139,878	121,027
Total amount recognised in profit or loss	224,077	230,443

17. LEASES (continued)

The Group as a lessor

The Group leases its investment properties (note 16) under operating lease arrangements with leases terms from 1 year or less to ten years. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB8,964,000 (2022: RMB15,469,000), details of which are included in note 5 to the financial statements.

At 31 December 2023, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2023 RMB'000	2022 RMB'000
Within one year	7,689	22,904
In the second to five years, inclusive	29,008	29,152
In the six to ten years, inclusive	23,433	30,643
	60,130	82,699

18. GOODWILL

	2023 RMB'000	2022 RMB'000
At 1 January:		
Cost	709,865	695,184
Accumulated impairment	(47,254)	(47,254)
Net carrying amount	662,611	647,930
Cost at 1 January, net of accumulated impairment	662,611	647,930
Acquisition of subsidiaries (note 38)	50,127	–
Disposal of subsidiaries (note 39)	(45,132)	–
Attributable to a discontinued operation of CP Qingdao (note 12)	(2,152)	–
Exchange alignment	14,998	14,681
Cost and net carrying amount at 31 December	680,452	662,611
At 31 December:		
Cost	727,706	709,865
Accumulated impairment	(47,254)	(47,254)
Net carrying amount	680,452	662,611

18. GOODWILL (continued)

Impairment testing of goodwill

The carrying amount of goodwill of the Group is related to twelve different cash-generating units ("CGUs"), namely Softhale NV, Shanghai Jingmai Medical Technology Co., Ltd., and ten other subsidiaries of the Group.

The recoverable amounts of the goodwill primarily attributable to the acquisition of equity interests in these CGUs have been determined based on value in use calculation using cash flow projections based on financial budgets covering a period ranging from five to ten years approved by senior management. Management considers that using over than five years forecast period for financial budgets in the goodwill impairment test is appropriate because the useful lives of relevant intellectual properties are estimated as ten years after commercialisation, and it generally takes longer for a biotech company to reach the perpetual growth mode, compared to companies in other industries, especially when its product is still under clinical trial and the market of such product is at an early stage of development with substantial growth potential. Hence, financial budgets covering over five-year period were used as management believes that a forecasted period longer than five years is feasible and reflects a more accurate entity value.

The discount rates applied to the cash flow projections ranged from 11% to 13% (2022: 10.3% to 13.2%). The growth rate used to extrapolate the cash flows beyond forecast period is 1% to 2% (2022: 1% to 2%), which is based on the relevant industry growth forecasts and does not exceed the average long term growth rate for the relevant industry.

Assumptions were used in the value in use calculation of the CGUs for 31 December 2023 and 31 December 2022. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

Growth rate – The growth rate is based on industry growth forecasts.

Changes in selling prices and direct costs – These are based on past practices and expectations of future changes in the market.

The values assigned to the key assumptions on discount rates, growth rate and changes in selling prices and direct costs are consistent with external information sources. The directors believe that any reasonably possible change in any of these assumptions would not cause the carrying amount of each CGU to exceed its recoverable amount.

19. INTANGIBLE ASSETS

	Patents and licences RMB'000	Development costs RMB'000	Trademarks RMB'000	Customer relationship RMB'000	Total RMB'000
31 December 2023					
Cost at 1 January 2023, net of accumulated amortisation	**261,996**	**973,488**	**16,355**	**–**	**1,251,839**
Additions	**35,434**	**371,344**	**–**	**–**	**406,778**
Amortisation provided during the year	**(36,731)**	**(70,045)**	**(2,322)**	**–**	**(109,098)**
Acquisition of subsidiaries (note 38)	**–**	**705,231**	**–**	**–**	**705,231**
Assets included in a discontinued operation of CP Qingdao (note 12)	**(14,582)**	**–**	**–**	**–**	**(14,582)**
Disposal of subsidiaries (note 39)	**(7,822)**	**–**	**–**	**–**	**(7,822)**
Exchange realignment	**(3,837)**	**–**	**–**	**–**	**(3,837)**
At 31 December 2023	**234,458**	**1,980,018**	**14,033**	**–**	**2,228,509**
At 31 December 2023					
Cost	**354,629**	**2,307,937**	**1,037,796**	**1,928,000**	**5,628,362**
Accumulated amortisation	**(120,171)**	**(327,919)**	**(1,023,763)**	**(1,928,000)**	**(3,399,853)**
Net carrying amount	**234,458**	**1,980,018**	**14,033**	**–**	**2,228,509**

	Patents and licences RMB'000	Development costs RMB'000	Trademarks RMB'000	Customer relationship RMB'000	Total RMB'000
31 December 2022					
Cost at 1 January 2022, net of accumulated amortisation	273,872	772,459	17,685	–	1,064,016
Additions	22,460	280,475	–	–	302,935
Amortisation provided during the year	(20,910)	(79,446)	(1,330)	–	(101,686)
Impairment during the year	(19,401)	–	–	–	(19,401)
Exchange realignment	5,975	–	–	–	5,975
At 31 December 2022	261,996	973,488	16,355	–	1,251,839
At 31 December 2022					
Cost	359,161	1,231,362	1,037,796	1,928,000	4,556,319
Accumulated amortisation	(97,165)	(257,874)	(1,021,441)	(1,928,000)	(3,304,480)
Net carrying amount	261,996	973,488	16,355	–	1,251,839

20. INVESTMENTS IN ASSOCIATES AND A JOINT VENTURE

	2023 RMB'000	2022 RMB'000
Share of net assets	**9,095,712**	9,861,274
Goodwill on acquisition	**3,350,566**	3,539,486
	12,446,278	13,400,760
Provision for impairment	**(202,603)**	(202,603)
	12,243,675	13,198,157

Particulars of the material associate are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Sinovac Life Sciences Co., Ltd. ("Sinovac Life Sciences")	Ordinary shares	PRC/ Chinese Mainland	15.03%	Vaccines research and development

The above table lists the associate of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates and a joint venture would, in the opinion of the directors, result in particulars of excessive length.

(i) Sinovac Life Sciences

	2023 RMB'000	2022 RMB'000
Share of net assets	**8,181,296**	9,126,467
Goodwill on acquisition	**2,865,701**	2,865,701
	11,046,997	11,992,168

The Group considers that it exerts significant influence on Sinovac Life Sciences as it had the power to appoint one out of five directors. Sinovac Life Sciences focuses on pharmaceutical research in the therapeutic fields of antiviral, hematology, oncology and immunology, and degenerative diseases.

20. INVESTMENTS IN ASSOCIATES AND A JOINT VENTURE (continued)

(i) Sinovac Life Sciences (continued)

The following table illustrates the summarised financial information in respect of Sinovac Life Sciences adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2023 RMB'000	2022 RMB'000
Current assets	**48,111,455**	55,340,180
Non-current assets, excluding goodwill	**9,441,957**	10,972,593
Goodwill on acquisition of the associate	**2,865,701**	2,865,701
Current liabilities	**(1,498,644)**	(4,631,943)
Non-current liabilities	**(1,621,659)**	(882,611)
Net assets	**57,298,810**	63,663,920
Net assets, excluding goodwill	**54,433,109**	60,798,219
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**15.03%**	15.03%
Group's share of net assets of the associate, excluding goodwill	**8,181,296**	9,126,467
Goodwill on acquisition (less accumulated impairment)	**2,865,701**	2,865,701
Carrying amount of the investment	**11,046,997**	11,992,168
Revenue	**53,950**	6,767,047
(Loss)/profit for the year	**(3,364,704)**	337,317
Total comprehensive (loss)/income for the year	**(3,365,110)**	343,218
Dividend received	**450,900**	976,950

(ii) Others

The following table illustrates the aggregate financial information of the Group's associates and a joint venture that are not individually material:

	2023 RMB'000	2022 RMB'000
Share of the associates' and a joint venture's loss for the year	**(19,995)**	(203,675)
Share of the associates' and a joint venture's total comprehensive income/(loss)	**16,171**	(84,481)
Aggregate carrying amount of the Group's investments in the associates and a joint venture	**1,196,678**	1,205,989

21. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023 RMB'000	2022 RMB'000
Equity investments designated at fair value through other comprehensive income		
Equity investments, at fair value	**1,562,870**	1,574,808

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 RMB'000	2022 RMB'000
Financial assets at fair value through profit or loss		
Current		
Wealth management products	**2,811,960**	4,543,239
Non-Current		
Other unlisted investments, at fair value	**4,699,703**	4,104,618

For wealth management products, the Group entered into the investment contracts with several financial institutions in Chinese Mainland and Hong Kong with a floating return which will be paid together with the principal on the maturity date.

The other unlisted investments measured at financial assets at fair value through profit or loss mainly represents convertible redeemable preferred shares which the Group has the right to require and demand the issuers to redeem the shares held by the Group upon redemption events that are out of control of issuers (31 December 2023 and 2022: RMB3,564,385,000 and RMB3,769,308,000, respectively).

23. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 RMB'000	2022 RMB'000
Listed equity investments, at fair value	**301,080**	312,207

24. INVENTORIES

	2023 RMB'000	2022 RMB'000
Raw materials	**455,075**	677,427
Work in progress	**526,204**	938,516
Finished goods	**884,345**	577,320
Spare parts and consumables	**127,848**	135,581
	1,993,472	2,328,844

25. TRADE AND BILLS RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables	**3,803,843**	3,752,154
Bills receivable	**732,778**	916,203
Impairment	**(26,426)**	(29,961)
	4,510,195	4,638,396

The fair value of bills receivable approximates to their carrying amount.

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit periods generally range from 0 days to 90 days. The Group seeks to maintain a strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances. Trade and bills receivables are non-interest-bearing.

An ageing analysis of the Group's trade and bills receivables as at end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2023 RMB'000	2022 RMB'000
Current to 90 days	**4,319,725**	4,050,406
91 days to 180 days	**142,561**	466,707
Over 180 days	**47,909**	121,283
	4,510,195	4,638,396

25. TRADE AND BILLS RECEIVABLES (continued)

As at 31 December 2023, bills receivable of RMB378,919,000 (2022: RMB429,669,000) were pledged as collateral for the Group's bills payable.

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

	2023 RMB'000	2022 RMB'000
At beginning of year	**29,961**	26,035
(Reversal of)/recognition of impairment losses (note 7)	**(3,535)**	3,926
At end of year	**26,426**	29,961

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade and bills receivables are written off if past due for more than one year and are not subject to enforcement activity.

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

As at 31 December 2023

		Past due			
	Current	**Less than 90 days**	**Between 91 and 275 days**	**Over 275 days**	**Total**
Expected credit loss rate	**0.44%**	**0.32%**	**5.04%**	**26.50%**	**0.58%**
Gross carrying amount (RMB'000)	**4,338,692**	**143,015**	**35,177**	**19,737**	**4,536,621**
Expected credit losses (RMB'000)	**18,967**	**454**	**1,774**	**5,231**	**26,426**

As at 31 December 2022

		Past due			
	Current	Less than 90 days	Between 91 and 275 days	Over 275 days	Total
Expected credit loss rate	0.36%	1.25%	1.9%	34.50%	0.64%
Gross carrying amount (RMB'000)	4,065,259	472,261	108,861	21,976	4,668,357
Expected credit losses (RMB'000)	14,493	5,914	2,072	7,482	29,961

25. TRADE AND BILLS RECEIVABLES (continued)

Financial assets that are derecognised in their entirety

At 31 December 2023, the Group endorsed certain bills receivable accepted by banks in Chinese Mainland (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of approximately RMB3,183,507,000 (2022: approximately RMB2,358,455,000). The Derecognised Bills had maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the Chinese Mainland, the holders of the Derecognised Bills shall have recourse against the Group if the Chinese Mainland's banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all the risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposures to loss from the group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the year ended 31 December 2023, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the continuing involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

26. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2023 RMB'000	2022 RMB'000
Current		
Prepayments	564,407	462,515
Other receivables	1,499,806	1,197,573
Financial assets measured at amortised cost	1,553,257	–
Prepaid expenses	18,160	3,172
Total	3,635,630	1,663,260
Non-current		
Prepayments and other asset	302,673	508,261

The carrying amounts of other receivables, prepayments and prepaid expenses approximate to their fair values due to their relatively short maturity terms.

The financial assets measured at amortised cost represents financial products issued by financial institutions in Chinese Mainland with a fixed return which will be paid together with the principal on the maturity date.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

27. CASH AND BANK BALANCES/BANK DEPOSITS

Cash and bank balances

	2023 RMB'000	2022 RMB'000
Cash and bank balances, unrestricted	**4,203,568**	6,413,982
Time deposits with original maturity of less than three months	**3,098,310**	2,240,823
Time deposits with original maturity of more than three months	**2,150,000**	3,411,412
Cash and bank balances	**9,451,878**	12,066,217

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to approximately RMB8,089,404,000 (2022: approximately RMB8,255,442,000) in Chinese Mainland. The RMB is not freely convertible into other currencies. However, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

Bank deposits

At the end of the reporting period, the bank deposits with a term from two years to three years amounting RMB7,312,891,000 carried interest at market interest rates ranging from 2.70% to 3.55% per annum (2022: RMB6,352,000,000 carried interest at market interest rates ranging from 3.15% to 3.98%). As at 31 December 2023, the bank deposits with carrying amounts of RMB100,000,000 and RMB538,169,000 were pledged for long term interest bearing bank borrowings and bills payable, respectively.

28. TRADE AND BILLS PAYABLES

An ageing analysis of the Group's trade and bills payables as at the end of the reporting period, based on the invoice receiving date, is as follows:

	2023 RMB'000	2022 RMB'000
Current to 90 days	**694,354**	996,140
91 days to 180 days	**397,702**	350,513
Over 180 days	**242,647**	290,698
	1,334,703	1,637,351

The trade payables included in a disposal group (note 12) of RMB1,853,000 are aged over 180 days.

Trade and bills payables are non-interest-bearing and are normally settled on 90-day terms. The carrying amounts of the trade and bills payables approximate to their fair values due to their relatively short maturity terms.

29. OTHER PAYABLES AND ACCRUALS

	2023 RMB'000	2022 RMB'000
Accrued payroll and bonuses	**1,833,660**	1,855,400
Other payables	**1,414,376**	1,248,761
Dividend payable	**992,843**	294,421
Accrued expenses	**4,605,285**	4,197,103
Staff welfare and bonus fund	**32,680**	23,219
Tax payable other than profits tax	**244,141**	223,433
Contract liabilities	**282,604**	310,793
	9,405,589	8,153,130

Other payables are non-interest-bearing and have an average term of three months. The carrying amounts of the other payables and accruals approximate to their fair values due to their relatively short maturity terms.

30. INTEREST-BEARING BANK BORROWINGS

	2023 RMB'000	2022 RMB'000
Analysed as:		
Unsecured	**11,977,492**	8,849,643
Secured (Note)	**216,392**	1,301,369
	12,193,884	10,151,012
Analysed as:		
Fixed interest rate	**12,193,884**	3,745,942
Variable interest rate	**–**	6,405,070
	12,193,884	10,151,012
Analysed as:		
Borrowings from banks	**12,193,884**	10,151,012
	12,193,884	10,151,012
The carrying amounts of the above borrowings are repayable:		
Within one year	**11,135,940**	6,217,153
Within a period of more than one year, but not exceeding two years	**748,444**	165,949
Within a period of more than two years, but not exceeding five years	**5,000**	3,480,419
Over five years	**304,500**	287,491
	12,193,884	10,151,012
Less Amounts due within one year shown under current liabilities	**11,135,940**	6,217,153
Amounts shown under non-current liabilities	**1,057,944**	3,933,859

The ranges of effective interest rates on the Group's fixed and variable-rate borrowings are as follows:

	2023	2022
Effective interest rate:		
Fixed rate borrowings	**2.30%-4.9%**	2.30%-5.64%
Variable rate borrowings	**–**	0.79%-5.54%

As at 31 December 2023 and 2022, details of the assets of the Group that have been pledged as collateral to secure the bank borrowings are set out in notes 15, 16, 17 and 27.

31. CONVERTIBLE BONDS

On 17 February 2020, the Company completed the issuance and listing of Euro ("EUR")750,000,000 zero coupon convertible bonds due 2025 by way of debt issues to professional investors only. The investors of the convertible bond have the right to ask the Company to redeem part or all the convertible bonds they held at par value on 17 February 2023. The bonds may be converted into conversion shares pursuant to the terms and conditions. Assuming full conversion of the bonds at the initial conversion price of HK$19.09 per share and no further issue of shares, the bonds will be convertible into 338,380,041 shares, representing approximately 2.69 percent of the issued share capital of the Company as at 17 February 2020, and approximately 2.62 percent of the issued share capital of the Company as at 17 February 2020 as enlarged by the issue of the conversion shares upon full conversion of the bonds. The conversion shares to be issued upon conversion of the bonds will rank pari passu and carry the same rights and privileges in all respects with the shares then in issue on the relevant registration date.

On 20 July 2020, the Company made an adjustment to the Conversion Price as a result of the Bonus Issue. The Conversion Price has been adjusted from HK$19.09 per Share to HK$12.72 per Share with effect from 25 July 2020. The maximum number of Conversion Shares that will be issued upon conversion of all the outstanding Bonds at the current Conversion Price and the adjusted Conversion Price is 338,380,041 Shares and 507,836,084 Shares, respectively, representing an increase of 169,456,043 Shares issuable under the Bonds.

On 26 June 2021, the Company made an adjustment to the Conversion Price in accordance with the terms and conditions of the Bonds that an adjustment will be made to the Conversion Price on the date after the record date for the payment of the final dividend for the year ended 31 December 2020 and the quarterly dividend for the three months ended 31 March 2021.The Conversion Price adjusted from HK$12.72 per Share to HK$12.56 per Share with effect from 26 June 2021.

In December 2021, the Company redeemed EUR37,500,000 zero coupon convertible bonds with total consideration of EUR36,000,000, approximately equivalent to RMB259,395,957.

On 17 June 2022, the Company made an adjustment to the Conversion Price in accordance with the terms and conditions of the Bonds that an adjustment will be made to the Conversion Price on the date after the record date for the payment of the final dividend for the year ended 31 December 2021. The Conversion Price adjusted from HK$12.56 per Share to HK$12.41 per Share with effect from 23 June 2022. The maximum number of Conversion Shares that will be issued upon conversion of all the outstanding Bonds at the current Conversion Price and the adjusted Conversion Price is 335,829,040 Shares and 339,888,214 Shares, respectively, representing an increase of 4,059,174 Shares issuable under the Bonds.

In April and May 2022, the Company redeemed EUR222,768,000 zero coupon convertible bonds with total consideration of EUR218,060,000, approximately equivalent to RMB1,672,095,000.

In February 2023, the Company redeemed EUR487,582,000 zero coupon convertible bonds with total consideration of EUR487,582,200, approximately equivalent to RMB3,751,354,000.

On 15 June 2023, the Company made an adjustment to the Conversion Price in accordance with the terms and conditions of the Bonds that an adjustment will be made to the Conversion Price on the date after the record date for the payment of the final dividend for the year ended 31 December 2022. The Conversion Price adjusted from HK$12.41 per Share to HK$12.06 per Share with effect from 29 June 2023. The maximum number of Conversion Shares that will be issued upon conversion of all the outstanding Bonds at the current Conversion Price and the adjusted Conversion Price is 1,492,162 Shares and 1,535,467 Shares, respectively, representing an increase of 43,305 Shares issuable under the Bonds.

31. CONVERTIBLE BONDS (continued)

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. Derivative component was initially measured at fair value and subsequently measured at fair value with changes in fair value recognised in profit or loss.

The convertible bonds comprise two components:

(a) Debt component was initially measured at fair value amounting to EUR680,291,000 (equivalent to RMB5,146,104,000). It is subsequently measured at amortised cost using the effective interest method after considering the effect of the transaction costs.

(b) Derivative component comprises conversion options and early redemption options (not closely related to the debt component), which were initially measured at fair value amounting to EUR69,709,000 (equivalent to RMB527,316,000) and subsequently measured at fair value with changes in fair value recognised in profit or loss.

The total transaction costs of EUR8,138,000 (equivalent to RMB61,557,000) that are related to the issue of the convertible bonds were allocated to the debt and derivative components in proportion to their respective fair values.

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

2023

	Debt component RMB'000	Embedded derivative component RMB'000	Total RMB'000
As at 31 December 2022	**3,446,257**	**35,815**	**3,482,072**
Repurchase	**(3,614,011)**	**(7,933)**	**(3,621,944)**
Exchange adjustments	**173,805**	**(27,721)**	**146,084**
Interest charged	**10,427**	**–**	**10,427**
Fair value change on derivative components	**–**	**(161)**	**(161)**
As at 31 December 2023	**16,478**	**–**	**16,478**

2022

	Debt component RMB'000	Embedded derivative component RMB'000	Total RMB'000
As at 31 December 2021	4,799,189	152,797	4,951,986
Repurchase	(1,610,688)	(51,816)	(1,662,504)
Exchange adjustments	175,884	10,530	186,414
Interest charged	81,872	–	81,872
Fair value change on derivative components	–	(75,696)	(75,696)
As at 31 December 2022	3,446,257	35,815	3,482,072

32. DEFERRED GOVERNMENT GRANTS

The Group's deferred government grants represented government grants received for the investment in long-term assets in production base or setting up research and development activities, which are credited to the statement of profit or loss on a straight-line basis over the remaining expected lives of the related assets or recognised as income on a systematic basis over the periods that the costs, which they are intended to compensate, are expensed.

33. DEFERRED TAX

Deferred tax liabilities

2023

	Development costs RMB'000	Fair value adjustment of financial investment at fair value through profit or loss RMB'000	Withholding tax RMB'000	Depreciation allowance in excess of related depreciation RMB'000	Acquisition RMB'000	Right-of-use assets RMB'000	Total RMB'000
At 1 January 2023	146,023	7,852	1,159,558	104,789	70,449	61,209	1,549,880
Acquisition of a subsidiary (note 38)	–	–	–	–	18,629	–	18,629
Deferred liabilities related to the disposal group classified as held for sale (note 12)	–	–	–	(1,029)	–	–	(1,029)
Deferred tax credited/(charged) to the statement of profit or loss (note 11)	45,195	(4,901)	120,495	97,346	(3,665)	(5,051)	249,419
Realised during the year	–	–	(324,955)	–	–	–	(324,955)
Gross deferred tax liabilities at 31 December 2023	191,218	2,951	955,098	201,106	85,413	56,158	1,491,944

Deferred tax assets

2023

	Tax Loss RMB'000	Government grants RMB'000	Provision for receivables RMB'000	Accruals RMB'000	Elimination of profits on inventories RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2023	67,115	111,694	15,404	789,272	178,299	61,453	1,223,237
Acquisition of a subsidiary (note 38)	18,629	–	–	–	–	–	18,629
Disposal of subsidiaries	–	–	(1,653)	(11,734)	–	–	(13,387)
Deferred assets related to the disposal group classified as held for sale (note 12)	–	(10,717)	(825)	(11)	–	–	(11,553)
Deferred tax credited/(charged) to the statement of profit or loss (note 11)	50,605	(22,668)	635	46,008	(9,016)	(5,077)	60,487
Gross deferred tax assets at 31 December 2023	136,349	78,309	13,561	823,535	169,283	56,376	1,277,413

33. DEFERRED TAX (continued)

Deferred tax assets (continued)

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

	2023 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	567,012
Net deferred tax liabilities recognised in the consolidated statement of financial position	(781,543)
	(214,531)

Deferred tax liabilities

2022

	Development costs RMB'000	Fair value adjustment of financial investment at fair value through profit or loss RMB'000	Withholding tax RMB'000	Depreciation allowance in excess of related depreciation RMB'000	Acquisition RMB'000	Right-of-use assets RMB'000	Total RMB'000
At 1 January 2022	105,076	15,216	1,208,506	122,354	75,193	62,420	1,588,765
Deferred tax charged/(credited) to the statement of profit or loss (note 10)	40,947	(7,364)	169,428	(17,565)	(4,744)	(1,211)	179,491
Realised during the year	–	–	(218,376)	–	–	–	(218,376)
Gross deferred tax liabilities at 31 December 2022	146,023	7,852	1,159,558	104,789	70,449	61,209	1,549,880

Deferred tax assets

2022

	Tax Loss RMB'000	Government grants RMB'000	Provision for receivables RMB'000	Accruals RMB'000	Elimination of profits on inventories RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2022	47,490	109,525	15,658	650,320	156,457	62,590	1,042,040
Deferred tax credited/(charged) to the statement of profit or loss (note 10)	19,625	2,169	(254)	138,952	21,842	(1,137)	181,197
Gross deferred tax assets at 31 December 2022	67,115	111,694	15,404	789,272	178,299	61,453	1,223,237

33. DEFERRED TAX (continued)

Deferred tax assets (continued)

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

	2022 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	505,148
Net deferred tax liabilities recognised in the consolidated statement of financial position	(831,791)
	(326,643)

The Group has accumulated tax losses arising in Hong Kong of approximately RMB241,647,000 (2022: approximately RMB241,585,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respective of accumulated tax losses mainly arising in Chinese Mainland and Hong Kong with an aggregate amount of approximately RMB2,428,383,000 (2022: approximately RMB1,790,980,000) as they have occurred and it is not considered probable that future taxable profits will be available against which the tax losses can be utilised. The accumulated tax losses arising in Chinese Mainland will expiry in one to five years for offsetting future taxable profits.

34. SHARE CAPITAL/TREASURY SHARES

Share capital

Shares

	2023 **RMB'000**	2022 RMB'000
Issued and fully paid: 18,801,217,230 ordinary shares of HK$0.025 each (2022: 18,813,867,230 ordinary shares of HK$0.025 each)	**414,615**	414,899

34. SHARE CAPITAL/TREASURY SHARES (continued)

Share capital (continued)

Shares (continued)

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

	Number of shares in issue	Share capital RMB'000
1 January 2022	**18,839,594,230**	**415,440**
Shares repurchased and cancelled (Note (a))	**(25,727,000)**	**(541)**
At 31 December 2022 and 1 January 2023	**18,813,867,230**	**414,899**
Shares repurchased and cancelled (Note (a))	**(12,650,000)**	**(284)**
At 31 December 2023	**18,801,217,230**	**414,615**

Note

(a) During the year, the Company has repurchased 12,650,000 (2022: 25,727,000) ordinary shares of HK$0.025 (2022: HK$0.025) each on the Stock Exchange at a total consideration of approximately HK$46,188,000 (2022: HK$99,560,000) approximately RMB41,414,000 (2022: RMB81,502,000) (excluding expenses), and have been cancelled as at 31 December 2023.

Treasury shares

A summary of movements in the Company's treasury shares is as follows:

	Number of shares repurchased	Treasury shares RMB'000
1 January 2022	128,430,500	689,347
Recognition of share-based payments	(8,577,623)	(29,723)
Repurchase of shares for cancellation	22,727,000	81,502
Repurchase of shares under share award scheme	228,945,000	786,111
Cancellation of treasury shares	(25,727,000)	(94,753)
At 31 December 2022 and 1 January 2023	345,797,877	1,432,484
Recognition of share-based payments	**(6,854,834)**	**(17,740)**
Repurchase of shares for cancellation	**12,650,000**	**41,414**
Repurchase of shares under share award scheme	**115,150,000**	**354,979**
Cancellation of treasury shares	**(12,650,000)**	**(41,414)**
At 31 December 2023	**454,093,043**	**1,769,723**

35. SHARE OPTION SCHEMES/SHARE AWARD SCHEME

Share option schemes

2013 Scheme

The Company operated a share option scheme (the "2013 Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

The 2013 Scheme became effective on 28 May 2013. The 2013 Scheme expired on 28 May 2023, with no share option ever been granted under the scheme since its adoption.

2023 Scheme

On 15 June 2023, the shareholders of the Company approved the adoption of another share option scheme (the "2023 Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the 2023 Scheme are (i) employee participants: the directors and employees of any member of the Group, including persons who are granted options under the scheme as inducement to enter into employment contracts with any member of the Group; and (ii) service providers: persons who provide services to any member of the Group on a continuing and recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth and development of the Group, and fall into the categories of (a) consultants and advisors or (b) suppliers, distributors, contractors and agents.

The 2023 Scheme became effective on 15 June 2023 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares in respect of which options may be granted under the share option scheme when aggregated with the maximum number of shares in respect of which options over shares or other securities may be granted by the Group under any other scheme shall not exceed 10% of the issued share capital as at the date of adoption of the 2023 Scheme. Within this limit, the total number of shares which may be issued in respect of all options which may be granted to service providers shall not exceed 1% of the shares in issue as at the date of adoption of the 2023 Scheme.

No share option has been granted under the 2023 Scheme since its adoption.

There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options. The Group accounts for the schemes as equity-settled plans.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Share award scheme

The Company operates a restricted share award scheme (the "2018 Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations, pursuant to which existing shares will be purchased by a trustee (the "Trustee") from the market out of cash contributed by the Company and be held on trust for the eligible participants until such shares are vested.

The 2018 Scheme became effective on 5 January 2018 and remains in force for 10 years from that date.

35. SHARE OPTION SCHEMES/SHARE AWARD SCHEME (continued)

Share award scheme (continued)

The maximum number of shares which the Trustee may purchase with funds contributed by the Company shall not exceed 3% of the total issued share capital of the Company as at the date of adoption of the 2018 Scheme. On 26 April 2022, the board of directors of the Company resolved that such limit be refreshed to 3% of the total issued share capital of the Company as at the date of the resolutions, i.e. 564,932,826 shares. In addition, the maximum number of restricted shares which may be granted to an eligible participant at any time or in aggregate may not exceed 0.5% of the issued capital of the Company as at the date of adoption of the 2018 Scheme.

Pursuant to the 2018 Scheme, eligible participants include the directors and employees of the Company and any of its subsidiaries. Where any grant of the restricted shares is proposed to be made to a director (including the independent non-executive director), such grant must first be approved by all the independent non-executive directors and in each case excluding any independent non-executive director who is the proposed participant. The board of directors of the Company may, from time to time, at its absolute discretion determine the number of restricted shares to be granted and select any participant to be a selected participant with such vesting conditions as it may deem appropriate under the 2018 Scheme.

On 13 October 2023, the Company granted 6,854,834 restricted shares in aggregate to a total of 15 selected participants who were employees of the Group at nil consideration under the 2018 Scheme. The restricted shares vested immediately on the date of grant. On 13 June 2022, 8,577,623 restricted shares were granted by the Company to a total of 10 selected participants at nil consideration and vested immediately on the grant date. Saved as disclosed above, no restricted shares have been awarded to any selected participants pursuant to the 2018 Scheme since the adoption of the scheme.

The fair value of the restricted shares granted during the year was RMB17,740,000 (RMB2.59 each) (2022: RMB29,723,000 (RMB3.47 each)), of which the Group recognised a share base compensation of RMB18,123,000 (2022: RMB29,723,000). The fair value of the restricted shares was calculated based on the closing price of the Company's shares on the grant date.

As at 31 December 2023, 454,093,043 shares were held on trust by the Trustee under the 2018 Scheme. As at the date of this annual report, 549,500,369 shares were available for grant under the 2018 Scheme, representing 2.92% of the Company's shares in issue as at that date.

36. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

(i) Capital reserve

The capital reserve is non-distributable and arose from the capitalisation of the statutory reserve funds as paid-up capital upon approval for increasing the registered capital of the Chinese Mainland joint ventures.

(ii) Contributed surplus

The Group's contributed surplus represents the difference between the nominal value of the shares and the share premium account of the former group holding companies acquired pursuant to the group reorganisation as stated in the Company's prospectus dated 22 September 2000, and the nominal value of the Company's shares issued in exchange therefor.

36. RESERVES (continued)

(iii) Reserve funds

In accordance with the Articles of Association of all subsidiaries established in the Chinese Mainland, all subsidiaries established in Chinese Mainland are required to transfer 10% of the profit after taxation to the statutory reserve until the reserve reaches 50% of the registered capital. Transfer to this reserve must be made before distributing dividends to equity holders. The statutory reserve can be used to make up for previous years' losses, expand the existing operations or be converted into additional paid-in capital of the subsidiaries.

(iv) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of companies outside Chinese Mainland. The reserve is dealt with in accordance with the accounting policy set out in note 2.4.

(v) Share premium

The share premium of the Group represents the share premium contributed by the shareholders of the Company.

37. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2023	2022
Percentage of equity interests held by non-controlling interests:		
CT Tianqing	40.0%	40.0%
NJCTT	44.4%	44.4%
Beijing Tide	42.4%	42.4%
LYG Runzhong	40.0%	40.0%

	2023 RMB'000	2022 RMB'000
Profit for the year allocated to non-controlling interests:		
CT Tianqing	1,885,283	1,791,317
NJCTT	413,167	330,994
Beijing Tide	428,678	370,470
LYG Runzhong	758,951	780,196
Accumulated balances of non-controlling interests at the reporting date:		
CT Tianqing	4,153,150	4,957,970
NJCTT	707,459	600,744
Beijing Tide	1,895,875	1,671,306
LYG Runzhong	1,706,326	1,644,626

37. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

2023	**CT Tianqing RMB'000**	**NJCTT RMB'000**	**Beijing Tide RMB'000**	**LYG Runzhong RMB'000**
Revenue	**14,101,233**	**4,121,814**	**3,991,593**	**3,056,046**
Total expenses	**(9,388,026)**	**(3,191,258)**	**(2,980,559)**	**(1,158,668)**
Profit for the year	**4,713,207**	**930,556**	**1,011,034**	**1,897,378**
Total comprehensive income for the year	**4,713,207**	**930,556**	**1,011,034**	**1,897,378**
Current assets	**10,817,261**	**2,342,504**	**4,740,329**	**3,531,505**
Non-current assets	**8,686,099**	**1,706,869**	**1,250,480**	**1,544,601**
Current liabilities	**(8,948,822)**	**(1,698,355)**	**(1,297,563)**	**(783,556)**
Non-current liabilities	**(171,662)**	**(757,641)**	**(221,843)**	**(26,735)**
Net cash flows from operating activities	**4,697,252**	**1,143,997**	**1,210,886**	**659,341**
Net cash flows used in investing activities	**(359,490)**	**(460,537)**	**(70,103)**	**(321,973)**
Net cash flows used in financing activities	**(3,634,205)**	**(716,309)**	**(304,134)**	**–**
Net increase/(decrease) in cash and cash equivalents	**703,557**	**(32,849)**	**836,649**	**337,368**

2022	CT Tianqing RMB'000	NJCTT RMB'000	Beijing Tide RMB'000	LYG Runzhong RMB'000
Revenue	14,327,883	3,863,404	3,498,752	3,334,835
Total expenses	(9,808,344)	(3,117,922)	(2,625,001)	(1,384,346)
Profit for the year	4,519,539	745,482	873,751	1,950,489
Total comprehensive income for the year	4,519,539	745,482	873,751	1,950,489
Current assets	11,534,992	2,691,189	3,500,095	3,534,195
Non-current assets	7,789,137	942,405	1,388,721	1,364,837
Current liabilities	(6,670,136)	(1,773,232)	(741,897)	(698,170)
Non-current liabilities	(259,068)	(507,335)	(205,160)	(89,298)
Net cash flows from operating activities	5,399,057	738,114	1,032,107	280,309
Net cash flows used in investing activities	(3,855,959)	(649,390)	(668,160)	(299,362)
Net cash flows used in financing activities	(3,146,582)	(86,802)	(407,077)	–
Net increase/(decrease) in cash and cash equivalents	(1,603,484)	1,922	(43,130)	(19,053)

38. BUSINESS COMBINATION

(a) Acquisition of F-star Therapeutics, Inc. ("F-star")

In March 2023, the Group acquired all of the issued and outstanding shares of F-star at an aggregate cash consideration of approximately US$161,025,000 (equivalent to RMB1,143,154,000). F-star is a clinical stage biopharmaceutical company and the acquisition was made as part of the Group's strategy to strengthens its pharmaceutical business, as well as accelerating the building of a pipeline with a core focus on oncology and respiratory therapeutic.

The fair values of the identifiable assets and liabilities of F-star as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition RMB'000
Intangible assets	19	631,620
Financial assets at fair value through profit or loss	22	527,558
Other payables and accruals	29	(34,643)
Total identifiable net assets at fair value		1,124,535
Goodwill on acquisition	18	18,619
Satisfied by cash		1,143,154

An analysis of the cash flows in respect of the acquisition is as follows:

	RMB'000
Cash consideration	1,143,154
Net outflow of cash and cash equivalents included in cash flows from investing activities	1,143,154
Transaction costs of the acquisition included in cash flows from operating activities	6,862
Total net cash outflow	1,150,016

Since the acquisition, F-star contributed nil to the Group's revenue and caused a loss of RMB65,469,000 to the consolidated profit for the year ended 31 December 2023.

38. BUSINESS COMBINATION (continued)

(b) Acquisition of pHion

In May 2023, the Group completed a step-up acquisition of additional 17.94% equity interests in pHion, a UK based biotech that delivering ground-breaking nucleic acid vaccines and therapeutics at a total consideration of USD6,225,000 (equivalent to approximately RMB44,265,000). Upon the completion of the step-up acquisition, pHion became a subsidiary of the Group with 69.34% equity interest. As at the acquisition date, the Group remeasured the fair value of its pre-existing interest of 51.40% in pHion and recognised a gain of USD4,795,000 (equivalent to approximately RMB34,098,000).

The fair values of the identifiable assets and liabilities of pHion as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition RMB'000
Property, plant and equipment	15	8,592
Intangible assets	19	73,611
Deferred tax assets	33	18,629
Cash and bank balances	27	13,387
Prepayments, other receivables and other assets	26	1,898
Trade payables	28	(6,992)
Accruals and other payables	29	(9,610)
Deferred tax liabilities	33	(18,629)
Total identifiable net assets at fair value		80,886
Non-controlling interests		(24,799)
Goodwill on acquisition	18	31,508
Transferred from interests previously held and classified as an associate		(9,232)
Gain on step acquisition of a subsidiary		(34,098)
Transferred from loans due from an associate		(17,513)
Satisfied by cash		26,752

An analysis of the cash flows in respect of the acquisition is as follows:

	RMB'000
Cash consideration	26,752
Cash and bank balances acquired	(13,387)
Net outflow of cash and cash equivalents included in cash flows from investing activities	13,365
Total net cash outflow	13,365

Since the acquisition, pHion contributed nil to the Group's revenue and caused a loss of RMB26,141,000 to the consolidated profit for the year ended 31 December 2023.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been RMB26,199,409,000 and RMB5,064,900,000, respectively.

39. DISPOSAL OF SUBSIDIARIES

	Notes	2023 RMB'000
Net assets disposed of:		
Property, plant and equipment	15	98,821
Right-of-use assets	17	12,287
Intangible assets	19	7,822
Prepayments, other receivables and other assets		39,088
Deferred tax assets	33	13,387
Inventories		129,004
Trade receivables		794,186
Cash in bank and at other institutes		27,756
Trade payables		(570,756)
Tax payable		(7,687)
Other payables and accruals		(247,966)
Interest-bearing bank borrowings		(51,000)
Lease liabilities	17	(10,937)
Goodwill	18	45,132
Non-controlling interests		(69,448)
Subtotal		209,689
Gain on disposal of subsidiaries	6	231,880
Total consideration		441,569
Satisfied by:		
Cash		441,569

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2023 RMB'000
Cash consideration	441,569
Cash and bank balances disposed of	(27,756)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	413,813

40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB49,277,000 and RMB49,277,000, respectively, in respect of lease arrangements for plant and equipment (2022: RMB43,502,000and RMB43,502,000).

40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Changes in liabilities arising from financing activities

2023	Borrowings RMB'000	Lease liabilities RMB'000	Convertible bonds RMB'000	Dividend payable RMB'000	Total RMB'000
At 1 January 2023	**10,151,012**	**384,694**	**3,482,072**	**294,421**	**14,312,199**
Changes from financing cash flows	**1,858,892**	**(41,691)**	**(3,742,547)**	**(632,669)**	**(2,558,015)**
Fair value loss	**–**	**–**	**120,442**	**–**	**120,442**
New leases	**–**	**49,277**	**–**	**–**	**49,277**
Lease termination	**–**	**(27,929)**	**–**	**–**	**(27,929)**
Foreign exchange movement	**183,980**	**(14,282)**	**146,084**	**–**	**315,782**
Interest expense	**–**	**19,813**	**10,427**	**–**	**30,240**
Final 2022 dividend declared	**–**	**–**	**–**	**998,767**	**998,767**
Interim 2023 dividend	**–**	**–**	**–**	**332,324**	**332,324**
At 31 December 2023	**12,193,884**	**369,882**	**16,478**	**992,843**	**13,573,087**

2022	Borrowings RMB'000	Lease liabilities RMB'000	Convertible bonds RMB'000	Dividend payable RMB'000	Total RMB'000
At 1 January 2022	6,933,902	384,422	4,951,986	–	12,270,310
Changes from financing cash flows	2,721,220	(86,134)	(1,662,504)	(1,267,622)	(295,040)
Fair value loss	–	–	(75,696)	–	(75,696)
New leases	–	43,502	–	–	43,502
Foreign exchange movement	495,890	25,179	186,414	–	707,483
Interest expense	–	17,725	81,872	–	99,597
Final 2021 dividend declared	–	–	–	610,910	610,910
Interim 2022 dividend	–	–	–	951,133	951,133
At 31 December 2022	10,151,012	384,694	3,482,072	294,421	14,312,199

(c) Total cash outflow for leases

	2023 RMB'000	2022 RMB'000
Within financing activities	**(41,691)**	(86,134)
Within operating activities	**(139,878)**	(121,027)

41. COMMITMENTS

(a) The Group had the following capital commitments at the end of the reporting period:

	2023 RMB'000	2022 RMB'000
Contracted, but not provided for:		
– Land, plant and machinery	**535,546**	773,514
– Capital investments	**–**	1,037,725
	535,546	1,811,239

42. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions and outstanding balances with related parties during the year:

	2023 RMB'000	2022 RMB'000
Associates:		
Sales of products (note (i))	**86,208**	19,718
Selling and Marketing service income (note (ii))	**904**	95,276
Research and development service (note (ii))	**59,171**	33,867
Purchases of products (note (ii))	**109,533**	118,563

Notes:

(i) The sales to an associate were made according to the published prices and conditions offered to the major customers of the Group.

The outstanding balance of the amount due from the associate as at 31 December 2023 was RMB86,007,000 (31 December 2022: RMB5,047,000).

(ii) During the year of 2023, the Group provided selling and marketing services, research and development services to an associate with reference to market prices. Also, the Group made purchases from the associate according to the prices mutually agreed between both parties. The purchase was netted off by a receivable from the associate with an amount of RMB91,956,000 (2022: RMB153,709,000).

The outstanding balance of the amount due from the associate as at 31 December 2023 was RMB177,949,000 (31 December 2022: RMB345,773,000).

42. RELATED PARTY TRANSACTIONS (continued)

(b) Loans due from associates

The Group has provided loans to TEDA Cold Chain Logistics, amounting to RMB10,145,000 (2022: RMB10,699,000), which are unsecured, interest-free and are repayable on demand. The Group transferred loans to pHion, amounting to RMB16,630,000 (2022: RMB16,630,000), to equity interests held in pHion during the year.

(c) Loan due to other related party

As at 31 December 2023 and 2022, the Group had a loan of RMB136,130,000 which is unsecured, carrying interest of 4.35% per annum and payable on demand, from a related company wholly owned by Ms. Cheng, a shareholder and executive director of the Group.

(d) Key management personnel's remuneration

Remuneration of key management personnel of the Group, including amounts paid to the directors and chief executives as disclosed in note 9 to the financial statements, is as follows:

	2023 RMB'000	2022 RMB'000
Salaries and other short-term employee benefits	219,976	230,683
Pension scheme contributions	1,012	1,045
Employee restricted share award scheme	3,707	25,097
	224,695	256,825

Further details of directors' and the chief executive's emoluments are included in note 9 to the financial statements.

43. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

2023

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income			
	Held for trading RMB'000	Designated as such upon initial recognition RMB'000	Debt investments RMB'000	Equity investments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Equity investments designated at fair value through profit or loss	301,080	–	–	–	–	301,080
Financial assets at fair value through profit or loss	2,811,960	4,699,703	–	–	–	7,511,663
Equity investments designated at fair value through other comprehensive income	–	–	–	1,562,870	–	1,562,870
Trade receivables	–	–	–	–	3,777,417	3,777,417
Bills receivable	–	–	732,778	–	–	732,778
Financial assets included in prepayments, other receivables and other assets	–	–	–	–	3,053,063	3,053,063
Amount due from related companies	–	–	–	–	188,610	188,610
Bank deposit	–	–	–	–	7,312,891	7,312,891
Cash and bank balances	–	–	–	–	9,451,878	9,451,878
	3,113,040	4,699,703	732,778	1,562,870	23,783,859	33,892,250

43. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial assets (continued)

2022

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income			
	Held for trading RMB'000	Designated as such upon initial recognition RMB'000	Debt investments RMB'000	Equity investments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Equity investments designated at fair value through profit or loss	312,207	–	–	–	–	312,207
Financial assets at fair value through profit or loss	4,543,239	4,104,618	–	–	–	8,647,857
Equity investments designated at fair value through other comprehensive income	–	–	–	1,574,808	–	1,574,808
Trade receivables	–	–	–	–	3,722,193	3,722,193
Bills receivable	–	–	916,203	–	–	916,203
Financial assets included in prepayments, other receivables and other assets	–	–	–	–	1,197,573	1,197,573
Amount due from related companies	–	–	–	–	382,742	382,742
Bank deposit	–	–	–	–	6,352,000	6,352,000
Cash and bank balances	–	–	–	–	12,066,217	12,066,217
	4,855,446	4,104,618	916,203	1,574,808	23,720,725	35,171,800

43. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial liabilities

2023

	Financial liabilities at fair value through profit or loss		
	Designated as such upon initial recognition RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	–	1,334,703	1,334,703
Financial liabilities included in other payables and accruals	–	6,019,661	6,019,661
Interest-bearing bank borrowings	–	12,193,884	12,193,884
Convertible bonds – debt component	–	16,478	16,478
Amounts due to related companies	–	136,130	136,130
Dividend payable	–	992,843	992,843
Contingent consideration	137,655	–	137,655
	137,655	20,693,699	20,831,354

2022

	Financial liabilities at fair value through profit or loss			
	Held for trading RMB'000	Designated as such upon initial recognition RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	–	–	1,637,351	1,637,351
Financial liabilities included in other payables and accruals	–	–	5,740,285	5,740,285
Derivative financial instruments	110,506	–	–	110,506
Interest-bearing bank borrowings	–	–	10,151,012	10,151,012
Convertible bonds – debt component	–	–	3,446,257	3,446,257
Convertible bonds – embedded derivative instruments	35,815	–	–	35,815
Amounts due to related companies	–	–	382,579	382,579
Contingent consideration	–	131,076	–	131,076
	146,321	131,076	21,357,484	21,634,881

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2023	2022	**2023**	2022
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Equity investments designated at fair value through profit or loss	**301,080**	312,207	**301,080**	312,207
Financial assets at fair value through profit or loss	**2,811,960**	4,543,239	**2,811,960**	4,543,239
Non-current: Financial assets at fair value through profit or loss	**4,699,703**	4,104,618	**4,699,703**	4,104,618
Equity investments designated at fair value through other comprehensive income	**1,562,870**	1,574,808	**1,562,870**	1,574,808
Bill receivables	**732,778**	916,203	**732,778**	916,203
	10,108,391	11,451,075	**10,108,391**	11,451,075
Financial liabilities				
Derivative financial instruments	**–**	110,506	**–**	110,506
Interest-bearing bank borrowings	**12,193,884**	10,151,012	**12,193,884**	10,158,018
Contingent consideration	**137,655**	131,076	**137,655**	131,076
Convertible bonds-debt component	**16,478**	3,446,257	**16,478**	3,607,012
Convertible bonds-embedded derivative instruments	**–**	35,815	**–**	35,815
	12,348,017	13,874,666	**12,348,017**	14,042,427

The fair values of the financial assets and liabilities are included at the amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

Management has assessed that the fair values of cash and bank balances, bank deposit, amount due from related companies, trade receivable, financial assets included in prepayments, deposits and other receivables, trade and bills payables, financial liabilities included in other payables and accruals, and amounts due to related companies approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2023 were assessed to be insignificant.

The fair values of the listed equity investments are based on quoted market prices.

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The fair value of convertible bonds – debt component is estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar convertible bond with consideration of the Group's own non-performance risk.

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

As at 31 December 2023

	Fair value using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Equity investments designated at fair value through profit or loss	301,080	–	–	301,080
Financial assets at fair value through profit or loss	–	2,811,960	–	2,811,960
Non-current: Financial assets at fair value through profit or loss	–	–	4,699,703	4,699,703
Bill receivables	–	732,778	–	732,778
Equity investments at fair value through other comprehensive income	128,657	–	1,434,213	1,562,870

As at 31 December 2022

	Fair value using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Equity investments designated at fair value through profit or loss	312,207	–	–	312,207
Financial assets at fair value through profit or loss	–	4,543,239	–	4,543,239
Non-current: Financial assets at fair value through profit or loss	–	–	4,104,618	4,104,618
Bill receivables	–	916,203	–	916,203
Equity investments at fair value through other comprehensive income	265,602	–	1,309,206	1,574,808

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Liabilities measured at fair value

As at 31 December 2023

	Fair value using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Contingent consideration	**–**	**–**	**137,655**	**137,655**

As at 31 December 2022

	Fair value using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Contingent consideration	–	–	131,076	131,076
Convertible bonds – embedded derivative instruments	–	–	92,234	92,234

(a) Financial instruments in level 1

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

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Liabilities measured at fair value (continued)

(b) Financial instruments in level 2

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

The Group invests in unlisted investments, which represent wealth management products issued by banks in Chinese Mainland. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

During the year, there were no transfers of fair value measurements among Level 1, Level 2 and Level 3.

(c) Financial instruments in level 3

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

The fair values of unlisted equity investments designated at fair value through other comprehensive income and unlisted investment (non-current) at fair value through profit or loss have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The fair value of the contingent consideration has been estimated by using a discounted cash flow valuation model based on the projected performance of the acquiree.

The fair value of the derivative component of convertible bonds has been estimated using the binominal option pricing model.

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Liabilities measured at fair value (continued)

(c) Financial instruments in level 3 (continued)

The recurring fair value measurement for the Group's financial assets and financial liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income were performed using significant k (Level 3) as at 31 December 2023. Below is a summary of the valuation techniques used and the key input to the valuation:

	Valuation techniques	Significant unobservable inputs
Financial assets		
Financial assets at fair value through profit or loss	Discounted cash flow method	Expected return rate 0%-6%
Unlisted equity investments, at fair value	Valuation multiples	Average P/B, P/R&D or P/S multiple of peers P/B:0.4-1.6 P/R&D:1.2-85.6 P/S:1.7-75.3:
Financial liabilities		
Contingent consideration	Discounted cash flow method	Profit forecasting
Convertible bonds-embedded derivative components	Binominal option pricing model	Expected volatility Risk-free rate

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank borrowings, cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to interest rate risk for changes in interest rates relates primarily to the Group's bank borrowings with floating interest rates. The Group does not use derivative financial instruments to hedge its interest rate risk. As at 31 December 2023, the Group did not hold any interest-bearing bank borrowings with variable interest rate.

The following table demonstrates the sensitivity to a reasonably possible change in Hong Kong dollar and United States dollar interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's equity.

	Increase/ (decrease) in basis points	(Decrease)/ increase in profit before tax RMB'000	(Decrease)/ increase in equity RMB'000
2022			
Hong Kong dollar-denominated borrowings	50	(6,035)	(6,035)
United States dollar-denominated borrowings	50	(28,289)	(28,289)
Hong Kong dollar-denominated borrowings	(50)	6,035	6,035
United States dollar-denominated borrowings	(50)	28,289	28,289

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

Foreign exchange risk arises from the change in foreign exchange rates that may have an adverse effect on the Group in the current reporting year and in the future years. Most of the assets and liabilities of the Group were denominated in Renminbi and Hong Kong dollars. In Chinese Mainland, foreign investment enterprises are authorised to convert Renminbi to foreign currencies in respect of the current account items (including payment of dividend and profit to a foreign joint venture partner).

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the United States dollar and EUR exchange rates, with all other variables held constant of the group's equity (arising from EUR denominated financial instruments):

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000
2023			
If Renminbi weakens against the United States dollar	**5**	**6,674**	**5,573**
If Renminbi strengthens against the United States dollar	**(5)**	**(6,674)**	**(5,573)**
If Renminbi weakens against the EUR	**5**	**7,177**	**5,993**
If Renminbi strengthens against the EUR	**(5)**	**(7,177)**	**(5,993)**
2022			
If Renminbi weakens against the United States dollar	5	4,022	3,359
If Renminbi strengthens against the United States dollar	(5)	(4,022)	(3,359)
If Renminbi weakens against the EUR	5	(16,461)	(13,745)
If Renminbi strengthens against the EUR	(5)	16,461	13,745

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, equity investments at fair value through profit or loss and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group's liquidity remained strong as at the end of the reporting period. During the year, the Group's primary source of funds was cash derived from operating activities and investment income. The directors consider that the Group's exposure to liquidity risk is not significant.

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

2023

	On demand or less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade and bills payables	1,334,703	–	–	–	1,334,703
Other payables	6,019,661	–	–	–	6,019,661
Convertible bonds-debt component	–	–	16,879	–	16,879
Contingent consideration	–	12,779	101,314	112,063	226,156
Lease liability	21,620	53,380	199,901	135,965	410,866
Interest-bearing bank borrowings	5,216,836	5,957,404	814,423	336,016	12,324,679
	12,592,820	6,023,563	1,132,517	584,044	20,332,944

2022

	On demand or less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade and bills payables	1,637,351	–	–	–	1,637,351
Other payables	5,740,285	–	–	–	5,740,285
Amounts due to related companies	246,449	–	136,130	–	382,579
Convertible bonds-debt component	–	3,607,012	–	–	3,607,012
Derivative financial instruments	110,506	–	–	–	110,506
Contingent consideration	–	13,799	78,358	110,819	202,976
Lease liability	17,164	46,861	171,506	81,871	317,402
Interest-bearing bank borrowings	2,239,588	4,257,761	3,942,500	328,611	10,768,460
	9,991,343	7,925,433	4,328,494	521,301	22,766,571

* The calculation of expected interest to be paid is based on borrowings as at 31 December 2023 and 2022 and the interest rates as at 31 December 2023 and 2022.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the value of individual securities. The Group was exposed to equity price risk arising from individual equity investments classified as equity investments designated at fair value through profit or loss (note 23) and equity investments at fair value through other comprehensive income (note 21) as at 31 December 2023. The Group's listed investments are listed on the Hong Kong Stock Exchange and New York Stock Exchange, and the investments were valued at quoted market prices at the end of the reporting period. The Group is also exposed to equity price risk arising from changes in the price of the Company's own shares to the extent that the Company's own equity investments underlie the fair values of the derivatives. As at the end of the reporting period, the Group was exposed to this risk through the conversion rights attached to the convertible bonds (note 31) issued by the Company.

The following table demonstrates the sensitivity to every 1% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

	Carrying amount of equity investments RMB'000	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000
2023			
Investments listed in			
Hong Kong – Financial assets at fair value through profit or loss	**32,852**	**329/(329)**	**–**
US – Financial assets at fair value through profit or loss	**30,440**	**304/(304)**	**–**
Hong Kong-Equity investments at fair value through other comprehensive income	**128,907**	**–**	**1,289/(1,289)**
2022			
Investments listed in			
Hong Kong – Financial assets at fair value through profit or loss	131,148	1,311/(1,311)	–
US – Financial assets at fair value through profit or loss	122,951	1,230/(1,230)	–
Hong Kong-Equity investments at fair value through other comprehensive income	265,602	–	2,656/(2,656)

* Excluding retained profits

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's abilities to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. The Group funds its operations principally via its capital.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 2022.

46. COMPARATIVE AMOUNTS

The comparative statement of profit or loss has been re-presented as if the operations discontinued during the current year had been discontinued at the beginning of the comparative period.

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	7,894	12,178
Investment properties	262,045	278,180
Right-of-use assets	247,121	274,202
Other intangible assets	70,883	69,237
Investments in subsidiaries	2,454,966	2,382,863
Interests in associates	49,462	48,162
Equity investments designated at fair value through other comprehensive income	531,286	638,019
Financial assets at fair value through profit or loss	692,534	633,908
Total non-current assets	4,316,191	4,336,749
CURRENT ASSETS		
Due from subsidiaries	12,440,929	11,627,726
Prepayments, other receivables and other assets	54,187	54,667
Equity investments at fair value through profit or loss	301,080	312,207
Cash and bank balances	567,203	2,560,045
Financial assets at fair value through profit or loss	63,292	67,852
Total current assets	13,426,691	14,622,497
CURRENT LIABILITIES		
Other payables and accruals	110,916	192,468
Interest-bearing bank borrowings	6,731,114	3,338,853
Lease liabilities	34,150	32,920
Convertible bonds – debt component	–	3,446,257
Convertible bonds –embedded derivative instrument	–	35,815
Total current liabilities	6,876,180	7,046,313
NET CURRENT ASSETS	6,550,511	7,576,184
TOTAL ASSETS LESS CURRENT LIABILITIES	10,866,702	11,912,933
NON-CURRENT LIABILITIES		
Convertible bonds – debt component	16,478	–
Lease liabilities	239,182	273,083
Interest-bearing bank borrowings	–	3,477,686
Total non-current liabilities	255,660	3,750,769
Net assets	10,611,042	8,162,164
EQUITY		
Share capital	414,615	414,899
Treasury shares	(1,769,723)	(1,432,484)
Reserves (note)	11,966,150	9,179,749
Total equity	10,611,042	8,162,164

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserve is as follows:

	Share premium account RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000	Exchange fluctuation reserve RMB'000	Fair value reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2022	12,555,650	65,051	(12,148,025)	(544,142)	448,380	8,144,469	8,521,383
Profit for the year	–	–	–	–	–	2,127,058	2,127,058
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income	–	–	–	–	(136,116)	136,116	–
Fair value changes of financial assets	–	–	–	–	(183,951)	–	(183,951)
Exchange differences related to foreign operations	–	–	–	371,514	–	–	371,514
Total comprehensive income for the year	–	–	–	371,514	(320,067)	2,263,174	2,314,621
Cancellation of treasury shares	(94,212)	–	–	–	–	–	(94,212)
Final 2021 dividend declared	–	–	–	–	–	(610,910)	(610,910)
Interim 2022 dividend	–	–	–	–	–	(951,133)	(951,133)
At 31 December 2022 and 1 January 2023	**12,461,438**	**65,051**	**(12,148,025)**	**(172,628)**	**128,313**	**8,845,600**	**9,179,749**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**3,906,124**	**3,906,124**
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income	**–**	**–**	**–**	**–**	**24,029**	**(24,029)**	**–**
Fair value changes of financial assets	**–**	**–**	**–**	**–**	**18,287**	**–**	**18,287**
Exchange differences related to foreign operations	**–**	**–**	**–**	**234,209**	**–**	**–**	**234,209**
Total comprehensive income for the year	**–**	**–**	**–**	**234,209**	**42,316**	**3,882,095**	**4,158,620**
Cancellation of treasury shares	**(41,130)**	**–**	**–**	**–**	**–**	**–**	**(41,130)**
Final 2022 dividend declared	**–**	**–**	**–**	**–**	**–**	**(998,765)**	**(998,765)**
Interim 2023 dividend	**–**	**–**	**–**	**–**	**–**	**(332,324)**	**(332,324)**
At 31 December 2023	**12,420,308**	**65,051**	**(12,148,025)**	**61,581**	**170,629**	**11,396,606**	**11,966,150**

48. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2024.