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上海醫藥集團股份有限公司
Shanghai Pharmaceuticals Holding Co., Ltd.*

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 02607)

2024 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the “**Board**”) of Shanghai Pharmaceuticals Holding Co., Ltd. (the “**Company**”) is pleased to announce the annual results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2024. The annual results are prepared in accordance with the China Accounting Standards and audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP. The Audit Committee of the Board has reviewed the annual results.

The full content of the Company’s annual report of 2024 is attached to this announcement. The formal annual report will be published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.sphchina.com) at an appropriate time.

By Order of the Board
Shanghai Pharmaceuticals Holding Co., Ltd.*
YANG Qiuhua
Chairman

Shanghai, the PRC, 28 March 2025

As of the date of this announcement, the executive Directors of the Company are Mr. YANG Qiuhua, Mr. SHEN Bo, Mr. LI Yongzhong and Mr. DONG Ming; the non-executive Director is Mr. ZHANG Wenxue; and the independent non-executive Directors are Mr. GU Zhaoyang, Mr. FOK Manson, Mr. WANG Zhong and Ms. MAN Kwan.

* For identification purpose only

■ OUR VISION

Become a respectful manufacturer with leading brand medicine and a service provider in healthcare field with industry reputation

■ OUR MISSION

Perseverance, committed to enhancing people's healthy living quality

■ OUR CORE VALUES

Innovation, integrity, cooperation, tolerance, responsibility





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Definitions

In this report, unless the context otherwise requires, the following terms shall have the following meanings:

Definitions of Common Terms

“the Group”, “Group”, “the Company”, “Company”, “Shanghai Pharmaceuticals” or “Shanghai Pharma”	Shanghai Pharmaceuticals Holding Co., Ltd. (上海醫藥集團股份有限公司), a joint stock company incorporated in the PRC with limited liability (shares of which are listed on the Shanghai Stock Exchange with stock code 601607, and on the Main Board of the Hong Kong Stock Exchange with stock code 02607) or Shanghai Pharmaceuticals Holding Co., Ltd. and its subsidiaries, where applicable
“Articles of Association” or “Articles”	the articles of association of Shanghai Pharmaceuticals (as amended from time to time)
“Reporting Period” or “Year”	the 12-month period from 1 January 2024 to 31 December 2024
“Year-on-year”	compared with the same period of last year
“Shares”	shares of Shanghai Pharmaceuticals with a nominal value of RMB1.00 each, comprising both A Shares and H Shares
“A Shares”	domestic shares of the Company, with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange and traded in RMB
“H Shares”	overseas shares of the Company, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC. In this report, unless otherwise specified, the currency generally refers to RMB
“HK\$” or “HK dollars” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	US dollars, the lawful currency of the United States of America
“AUD”	Australian dollars, the lawful currency of Australia
“PRC” or “China”	the People’s Republic of China; unless the context otherwise requires, references to the PRC or China in this report do not include Hong Kong, Macau or Taiwan
“Shanghai Listing Rules”	the Rules Governing the Listing of Securities on the Shanghai Stock Exchange (as amended, supplemented or otherwise modified from time to time)

“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Hong Kong Listing Rules (as amended, supplemented or otherwise modified from time to time)
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix C1 to the Hong Kong Listing Rules (as amended, supplemented or otherwise modified from time to time)
“Code Provision”	the code provisions of part II of the Corporate Governance Code
“SFO”	the Securities and Futures Ordinance, Chapter 571, the Laws of Hong Kong, as amended from time to time
“Controlling Shareholders”	unless otherwise stated, has the meaning ascribed to it under the Hong Kong Listing Rules, including SIIC, Shanghai Shangshi and Shanghai Pharmaceutical (Group)
“US FDA”	Food and Drug Administration of the United States
“MOF”	Ministry of Finance of the People’s Republic of China
“NMPA”	National Medical Products Administration of the People’s Republic of China (中華人民共和國國家藥品監督管理局)
“CDE”	Center For Drug Evaluation of NMPA (中華人民共和國國家藥品監督管理局藥品審評中心)
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Shanghai SASAC”	Shanghai State-owned Assets Supervision and Administration Commission (上海市國有資產監督管理委員會)
“SIIC”	Shanghai Industrial Investment (Holdings) Co., Ltd. (上海實業(集團)有限公司)

Definitions

“Shanghai Shangshi”	Shanghai Shangshi (Group) Co., Ltd. (上海上實(集團)有限公司)
“Shanghai Pharmaceutical (Group)”	Shanghai Pharmaceutical (Group) Co., Ltd. (上海醫藥(集團)有限公司)
“Shanghai Tandong”	Shanghai Tandong Enterprise Consulting Services Co., Ltd. (上海潭東企業諮詢服務有限公司)
“S.I. Yangtze River Delta”	S.I. Yangtze River Delta Ecological Development Company Limited (上海上實長三角生態發展有限公司)
“Shanghai Industrial”	Shanghai Industrial Holdings Limited
“Yunnan Baiyao”	Yunnan Baiyao Group Co., Ltd. (雲南白藥集團股份有限公司)
“New China Insurance”	New China Life Insurance Company Ltd.
“Guosheng Group”	Shanghai Guosheng Group Co., Ltd. (上海國盛(集團)有限公司)
“Shanghai Frontier”	Shanghai Biomedical Frontier Industry Innovation Center
“Xun Yao Biotechnology”	Shanghai Xun Yao Biotechnology Co., Ltd. (上海循耀生物科技股份有限公司)
“SJTU”	Shanghai Jiao Tong University
“SPH Ruier”	Shanghai SPH Ruier Drugs Co., Ltd. (上海上藥睿爾藥品有限公司)
“SPH NO.1 Biochemical”	SPH NO.1 Biochemical & Pharmaceutical Co., LTD. (上海上藥第一生化藥業有限公司)
“SPH Kony”	SPH Changzhou Kony Pharmaceutical Co., Ltd. (上藥康麗(常州)藥業有限公司)
“SPH Zhongxi”	Shanghai Zhongxi Sunve Pharmaceutical Co., Ltd. (上海中西三維藥業有限公司)
“SPH Xing Ling”	SPH Xing Ling Sci. &Tech. Pharmaceutical Co., Ltd. (上海上藥杏靈科技藥業股份有限公司)
“SPH Qingchunbao”	Chiatai Qingchunbao Pharmaceutical Co., Ltd. (正大青春寶藥業有限公司)
“SPH New Asia”	SPH New Asia Pharmaceutical Co., Ltd. (上海上藥新亞藥業有限公司)
“SPH Sine”	SPH Sine Pharmaceutical Factory Co., Ltd. (上海上藥信誼藥廠有限公司)

“Sine Wanxiang”	Shanghai Sine Wanxiang Pharmaceutical Co., Ltd. (上海信誼萬象藥業股份有限公司)
“Sine Yan’an”	Shanghai Sine Yan’an Pharmaceutical Co., Ltd. (上海信誼延安藥業有限公司)
“SHAPHAR”	Shanghai Pharmaceutical Co., Ltd. (上藥控股有限公司)
“SPH Cloud Health”	Shanghai Pharmaceuticals Grand Health Cloud Commerce Company Limited (上海醫藥大健康雲商股份有限公司)
“MediTrust Health”	Shanghai Meditrust Health Technology Group Co., Ltd. (上海鎂信健康科技集團股份有限公司)
“Shanghai Hutchison Pharmaceuticals”	Shanghai Hutchison Pharmaceuticals Co., Ltd. (上海和黃藥業有限公司)
“HUTCHMED”	Shanghai HUTCHMED Investment (HK) Limited (上海和黃醫藥投資(香港)有限公司)
“SPH Thailand”	Shanghai Pharma (Thailand) Co., Ltd. (上藥泰國有限責任公司)
“SPH Philippines”	Shanghai Pharma (Philippines) Co., Ltd. (上藥菲律賓有限責任公司)
“SPH Middle East FZ-LLC”	SPH Middle East FZ-LLC
“Hisun Pharmaceutical”	Zhejiang Hisun Pharmaceutical Co., Ltd. (浙江海正藥業股份有限公司)
“Hapharm”	Hapharm Group Co., Ltd. (哈藥集團股份有限公司)
“North China Pharmaceutical”	North China Pharmaceutical Co., Ltd. (華北製藥股份有限公司)
“Shanghai Shyndec Pharmaceutical”	Shanghai Shyndec Pharmaceutical Co., Ltd. (上海現代製藥股份有限公司)
“Livzon Group”	Livzon Pharmaceutical Group Inc. (麗珠醫藥集團股份有限公司)
“Baiyunshan”	Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited (廣州白雲山醫藥集團股份有限公司)
“CR Sanjiu”	China Resources Sanjiu Medical & Pharmaceutical Company Limited(華潤三九醫藥股份有限公司)

Definitions

“Changchun High-Tech”	Changchun High-Tech Industry (Group) Co., Ltd. (長春高新技術產業(集團)股份有限公司)
“Fosun Pharmaceutical”	Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (上海複星醫藥(集團)股份有限公司)
“Hengrui Pharmaceuticals”	Jiangsu Hengrui Pharmaceuticals Co., Ltd. (江蘇恒瑞醫藥股份有限公司)
“Guizhou Sinorda”	Guizhou Sinorda Bio-technology Co., Ltd. (貴州生諾生物科技股份有限公司)
“ANDA”	the Abbreviated New Drug Application
“GMP”	Good Manufacturing Practice
“GSP”	Good Supply Practice
“IQVIA”	Qwest Communications International Inc. (formerly known as IMSHealth Incorporated), established in the U.S., a world-leading provider of professional medical and health information and strategic consultation

Corporate Information

DIRECTORS

Executive Directors

Mr. YANG Qihua (*Chairman*)
 Mr. SHEN Bo (*President and Chief Financial Officer*)
 Mr. LI Yongzhong (*Executive President*)
 Mr. DONG Ming

Non-executive Directors

Mr. ZHANG Wenxue

Independent Non-executive Directors

Mr. GU Zhaoyang
 Mr. FOK Manson
 Mr. WANG Zhong
 Ms. MAN Kwan ^{Note 1}

SUPERVISORS

Mr. XU Youli
 Mr. YU Weidong
 Mr. MA Jia

JOINT COMPANY SECRETARIES

Mr. ZHONG Tao
 Ms. WONG Pui Kiu Ingrid

AUTHORISED REPRESENTATIVES

Mr. SHEN Bo
 Mr. ZHONG Tao

STRATEGY COMMITTEE

Mr. YANG Qihua (*Convener*)
 Mr. ZHANG Wenxue
 Mr. WANG Zhong

AUDIT COMMITTEE

Mr. GU Zhaoyang (*Convener*)
 Mr. FOK Manson
 Mr. WANG Zhong

NOMINATION COMMITTEE

Mr. FOK Manson (*Convener*)
 Mr. SHEN Bo
 Mr. GU Zhaoyang
 Ms. MAN Kwan ^{Note 1}

REMUNERATION AND ASSESSMENT COMMITTEE

Mr. WANG Zhong (*Convener*)
 Mr. YANG Qihua
 Mr. GU Zhaoyang

Note 1: Ms. MAN Kwan was appointed as the independent non-executive director on 13 March 2025, and appointed as a member of the nomination committee on 27 March 2025.

Corporate Information

COMPANY NAME

Shanghai Pharmaceuticals Holding Co., Ltd.

STOCK ABBREVIATION

SH PHARMA

REGISTERED ADDRESS

No. 92 Zhangjiang Road, Pilot Free Trade Zone,
China (Shanghai)
Postal Code: 201203

STOCK EXCHANGES ON WHICH SHARES ARE LISTED

A Shares: Shanghai Stock Exchange
Stock Code: 601607
H Shares: The Stock Exchange of Hong Kong Limited
Stock Code: 02607

PRINCIPAL PLACE OF BUSINESS IN CHINA

Shanghai Pharmaceutical Building,
No. 200 Taicang Road, Shanghai, the PRC

A SHARE REGISTRAR

China Securities Depository and Clearing Corporation
Limited, Shanghai Branch
36/F, China Insurance Building, No. 166 Lujiazui East
Road, Pudong New Area, Shanghai, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1918, 19/F, Lee Garden One,
33 Hysan Avenue, Causeway Bay,
Hong Kong

H SHARE REGISTRAR

MUFG Corporate Markets Pty Limited
Suite 1601, 16/F Central Tower
28 Queen's Road Central, Hong Kong

LEGAL ADVISOR AS TO HONG KONG LAW

Freshfields

COMPANY WEBSITE

<http://www.sphchina.com>

LEGAL ADVISOR AS TO PRC LAW

Grandall Law Firm (Shanghai)

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Joint Company Secretary)*
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AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants LLP

PRINCIPAL BANKS

Bank of Communications
Industrial and Commercial Bank of China
Bank of China
China Merchants Bank
Citi Bank
The Hongkong and Shanghai Banking
Corporation Limited

Financial Highlights

MAJOR DATA ON RESULTS, ASSETS AND LIABILITIES OF THE COMPANY FOR THE PAST FIVE FINANCIAL YEARS

Unit: RMB'000

Operating Results	For the year ended 31 December				
	2020	2021	2022	2023	2024
Revenue	191,909,156	215,824,259	231,981,300	260,295,089	275,250,935
Profit before income tax	7,175,483	8,143,814	8,808,353	7,054,297	8,020,006
Income tax expenses	(1,570,219)	(1,869,245)	(1,816,338)	(1,887,727)	(2,149,995)
Profit for the year	5,605,264	6,274,569	6,992,015	5,166,570	5,870,011
Attributable to:					
Owners of the Company	4,496,217	5,093,467	5,617,152	3,768,000	4,552,528
Non-controlling interests	1,109,047	1,181,102	1,374,863	1,398,570	1,317,483

Unit: RMB'000

Assets and Liabilities	As at 31 December				
	2020	2021	2022	2023	2024
Total assets	149,185,656	163,435,509	198,134,901	211,972,534	221,209,430
Total liabilities	94,444,926	104,369,299	120,132,450	131,646,441	137,467,066
Total equity	54,740,730	59,066,210	78,002,451	80,326,093	83,742,364
Attributable to:					
Owners of the Company	45,354,678	49,359,480	67,063,006	68,524,143	71,675,620
Non-controlling interests	9,386,052	9,706,730	10,939,445	11,801,950	12,066,744

Note: The financial information of 2021, 2022, 2023 and 2024 is extracted from the financial statements of the Company prepared under the China Accounting Standards.

Chairman's Statement



Yang Qihua
Chairman

Dear shareholders,

Flowers in spring come to fruition in autumn, time is beautiful and precious. On the occasion of the release of the 2024 Annual Report, I, on behalf of the management team and all the staff of Shanghai Pharmaceuticals Holding Co., Ltd., would like to extend my cordial greetings and sincere thanks to the shareholders and friends who have given us trust and support for a long time! Thank you for your support, companionship, trust and encouragement, and thank you for giving us the confidence and motivation to make unremitting efforts and go all out in work in the face of opportunities and challenges.

Looking back on the past year, in the face of the continuous and deep adjustment of the pharmaceutical industry and the new requirements for accelerating the cultivation of new quality productive forces, Shanghai Pharmaceuticals has always adhered to its original intention and kept its mission in mind, and has made remarkable progress in the fields of biomedicine, industrial layout, commercial integration and international expansion by taking national strategy as the guide, scientific and technological innovation as the core, and industrial upgrading as the starting point.

In the past year, guided by the national strategy, we accelerated the construction of an innovation ecosystem and solidly promoted the development of products. We deepened the cooperation with top universities such as Shanghai Jiao Tong University and China Pharmaceutical University to jointly establish the “National Key Laboratory of Innovative Immunotherapy” to promote the deep integration of “companies, universities, research institutes, hospitals and capital”. The Phase I of Shanghai Biomedical Frontier Industry Innovation Center was officially put into operation, attracting 15 ecological partners including state-owned scientific research institutes and international pharmaceutical giants to settle in, creating an innovation ecosystem “without walls”. The operation of the HKSTP Joint Innovation Incubator was steadily advanced, building a bridge for the integration of global innovation resources. At the same time, we continued to optimize the pipeline layout of

innovative drugs, further improved product planning, and made positive progress in the fields of biological drugs, chemical drugs, traditional Chinese medicines and rare diseases drugs, with one innovative drug approved for marketing and many drugs achieving breakthroughs in clinical stages. In addition, in the integrity and innovation of traditional Chinese medicines, the annual sales of many varieties, such as Weifuchun, Babaodan, Guanxinning Tablet and WangBiPian, continued to improve, and the evidence-based medical research paper on Yangxinshi Tablet was published in the Journal of Plant Medicine, an international authoritative academic journal, injecting strong momentum into the modernization and internationalization of traditional Chinese medicines.

In the past year, we took industrial upgrading as the starting point to promote the optimization of industrial layout, achieving excellent manufacturing. We steadily promoted the integrated layout of raw materials and preparations, and several production bases, such as Jinshan Green Pharmaceutical Boutique Base, were officially put into production and realized product transfer, or completed the transfer and integration of corresponding production lines. We continued to improve the quality management system, and our enterprises won 167 national, provincial and municipal quality awards throughout the year. We insist on empowering production management with digitalization. The "Intelligent Factory" of SPH Xing Ling was awarded the first batch of national excellence title by the Ministry of Industry and Information Technology. SPH Qingchunbao became the first "Future Factory" in the pharmaceutical industry in Zhejiang Province, putting intelligent wings on traditional industries.

In the past year, we took scientific and technological innovation as the core, promoting the expansion of innovative business while promoting business integration. Through the integration of the pharmaceutical service segment for many years, we have continuously improved the pure sales network in 25 provinces and cities across the country, basically forming a new pattern of national layout, regional leadership and integrated development. We continued to build life-cycle health services for innovative drugs, and achieved positive results in many segments such as sales of innovative drugs, general agency of imported drugs, contract sales organization, devices and big health business. At the same time, relying on the first-mover advantage of MediTrust Health in the field of commercial insurance payment, we innovatively launched a "one-code direct payment" multi-payment system and upgraded the new retail model of "commercial insurance + specialised pharmacies" to provide patients with more convenient medication services.

In the past year, with the goal of supplementing and strengthening the industrial chain, we intensified investment in mergers and acquisitions and actively explored international business. We actively promoted industrial mergers and acquisitions and joint venture cooperation, increased the screening reserves of projects, and formally signed a transaction agreement to acquire 10% equity of Hutchison Pharmaceutical. Taking Hong Kong as the bridgehead, we established a special class for development of traditional Chinese medicines, promoting the registration and marketing of Chinese patent medicines in Hong Kong. We actively participated in the construction of "Guangdong-Hong Kong-Macao Greater Bay Area" and promoted traditional Chinese medicines to the world. Meanwhile, we achieved new expansion in the international business, completed the multinational business layout in Southeast Asia and the Middle East, and achieved product registration and sales in the field of multi-therapy. SPH Thailand achieved its first-year sales target, SPH Philippines completed its establishment and accelerated the substantive operation, and SPH Middle East FZ-LLC completed its registration and started drug registration.

Chairman's Statement

Although we have made some achievements, we clearly realize that we still need to work hard in the future. At present, the development of the pharmaceutical industry is facing many new situations and challenges, and there are also some problems and shortcomings in the development of Shanghai Pharmaceuticals. In this regard, we should deeply understand the development trend of the industry, seize opportunities in the challenges, open up new opportunities in the changing situation, grasp all kinds of cutting-edge technologies, adhere to the main development line of "building a solid chassis, strengthening the core and making breakthroughs in innovation", build a development system of "Three Horizontals and Three Verticals", continuously enhance the core competitiveness, and give full play to the role of "chain owner" enterprises, so as to make greater contributions to accelerating the construction of a biomedical industrial cluster with world influence in Shanghai.

Nothing, not even mountains and oceans, can separate people with shared goals and vision; those who have a mission are fearless and arduous. Every step of Shanghai Pharmaceuticals' growth is inseparable from the full support from shareholders and friends. We are well aware that only by taking innovation as the soul, responsibility as the foundation and hard work as the foundation can we live up to the entrustment of the times and the expectations of shareholders. In the future, we will continue to work with you to break the waves in the sea of stars that protect human health, repay every trust with outstanding performance, and write the glory of a century-old pharmaceutical company with long-term value!

Management Discussion and Analysis

DETAILS OF RESULTS

In 2024, in the face of the continuous and deep adjustment of the pharmaceutical industry and the new requirements for accelerating the cultivation of new quality productive forces, Shanghai Pharmaceuticals based on serving the overall situation, focused on development strategies around its main responsibilities and business, deeply promoted the “five major improvement actions” of strategy, organization, management, talents and compliance, strove to build a solid foundation, strengthen the core, make innovation and breakthroughs, and made every great effort to create a world-class enterprise.

In 2024, Shanghai Pharmaceuticals continued to be listed among the Fortune Global 500 (ranking up to the 411th) and has won honors such as “Top 50 Global Pharma Companies”, “Top 25 Global Brand Value Pharmaceutical Companies”, “Top 100 Pharmaceutical Enterprises in China” and “China’s ESG Listed Companies Pioneer 100”.

During the Reporting Period, the Company achieved operating income of RMB275.251 billion, representing a year-on-year increase of 5.75%. Among which, the pharmaceutical manufacturing achieved sales revenue of RMB23.731 billion, down 9.62% year-on-year; the pharmaceutical service achieved sales revenue of RMB251.520 billion, up 7.47% year-on-year.

During the Reporting Period, the Company recorded RMB4.553 billion of net profit attributable to shareholders of the listed company, representing a year-on-year increase of 20.82%. Among which, the pharmaceutical manufacturing contributed profits of RMB2.193 billion, representing a year-on-year increase of 3.95%; pharmaceutical service contributed profits of RMB3.385 billion, representing a year-on-year increase of 1.05%. The major shareholding enterprises contributed profits of RMB470 million, representing a year-on-year decrease of 12.98%. The net profit after deduction of non-recurring profit or loss attributable to equity holders of listed company amounted to RMB4.065 billion, representing a year-on-year increase of 13.04%.

During the Reporting Period,
the operating income of the
Company amounted to

RMB **275.251** billion
(a year-on-year increase of
5.75%)

During the Reporting Period,
the net profit attributable to
shareholders of the listed company

amounted to RMB **4.553** billion
(a year-on-year increase of
20.82%)



Management Discussion and Analysis

During the Reporting Period, the Company's R&D investment reached RMB2.818 billion, including RMB2.394 billion of R&D expenditure, representing a year-on-year increase of 8.64%.

During the Reporting Period, the operating net cash inflow of the Company amounted to RMB5.827 billion, representing a year-on-year increase of 11.39%, continuously maintaining its high-quality development.

OPERATING HIGHLIGHTS OF THE COMPANY

- Play the role of “chain owner” and accelerate the construction of an open source innovation ecosystem

1. **Shanghai Frontier was put into operation and the construction of innovation ecosystem made a good start.** During the Reporting Period, Shanghai Pharmaceuticals created a “one table” mechanism by relying on Shanghai Frontier, accelerated the aggregation of resources such as “companies, universities, research institutes, hospitals and capital”, promoted the deep integration of innovation chain, industrial chain, capital chain and talent chain, created an innovation center “without walls”, and accelerated the construction of an open source innovation ecosystem. The construction of the Phase I of Shanghai Frontier has been completed and the Phase I successfully passed the comprehensive acceptance by the park. The opening ceremony was held in September 2024. At present, there are 15 ecological partners and innovative enterprises in the park, including the national Life Sciences Research Institute (SRI), Shanghai Biomedical Guidance Fund, Bayer (Pharmaceutical), Bayer (Consumer Health), Sartorius, Xun Yao Biotechnology and other key projects and innovative enterprises. At the same time, the 23rd Pujiang Interdisciplinary Forum, the 7th Pujiang Summit and other large-scale events have been successfully held in the park, and the popularity and influence of Shanghai Frontier are increasingly expanding.



- 2. The organizational structure adjustment for R&D was completed, and the system of “companies, universities and research institutes” was renewed.** During the Reporting Period, the Company established the Industrial Innovation Council of the Scientific Committee, and actively played the guiding role of hired experts in development strategy, R&D layout and product planning; the Company steadily promoted the adjustment of R&D management organizational structure, promoted professional division of labor and flat operation, and reduced redundant construction in the middle and back offices; through the sharing of resources and complementary advantages between schools and enterprises, the Company hired the Dean of the School of Pharmacy, SJTU as the Dean of Shanghai Pharmaceuticals Central Research Institute (上海醫藥中央研究院) by “double employment” to jointly build the National Key Laboratory of Innovative Immunotherapy; the Company continued to deepen cooperation with Shanghai Medical College of Fudan University, China Pharmaceutical University, and the Center for Excellence in Molecular Cell Science of Chinese Academy of Sciences and other scientific research institutes, focusing on the frontier fields of biomedicine and jointly promoting high-level basic research and achievements transformation; the Company deepened the integration of industry and finance, participated in the establishment of the Phase II of Shanghai Biomedical Transformation Fund, and enhanced the coordination of industrial chains.
- 3. Achieve multi-party strategic cooperation, and promote the layout of the industrialization of cell therapy in an orderly manner.** Cell and gene therapy is one of the new tracks in the innovative development of Shanghai Pharmaceuticals. During the Reporting Period, the Company continued to promote the establishment of Shanghai Kangjiansheng Cell Technology Co., Ltd. (上海康健生細胞技術有限公司), accelerated the industrialization layout of cell therapy, and signed strategic cooperation agreements with Ruijin Hospital affiliated to Shanghai Jiao Tong University School of Medicine, Shanghai Children’s Medical Center and China Stem Cell Group to jointly promote the innovative research and development and industrialization of cell therapy products. In February 2025, THE ASCO POST reported the research results of cell therapy for childhood leukemia jointly developed by SPH Biological Therapy (Hong Kong) Co., Ltd. (上藥生物治療(香港)有限公司), Shanghai Pharmaceutical Group Biotherapy Technology Co., Ltd. (上海醫藥集團生物治療技術有限公司) of Shanghai Pharmaceuticals, and Shanghai Children’s Medical Center. This is the second time that the research results have garnered attention from an authoritative industry platform, following their presentation at the 66th annual meeting of the American Society of Hematology (ASH).

Management Discussion and Analysis

- Improve the planning of products and solidly promote the development and construction of products

1. **Focus on key areas and continuously optimize the layout of product pipelines.** The Company established a new product planning department to continuously improve product planning, optimize the processes of R&D projects, and define the layout strategies in the fields of immunity, mental nerves, tumor, cardiovascular disease, digestive metabolism and anti-infection. In the fields of immunology and cancer, we accelerated the development, introduction and incubation of products, and continuously laid out the direction of cell therapy. In the field of psychiatry and nerves, we strategically developed improved new drugs and innovative drugs, and cultivated innovative growth points. In the fields of cardiovascular, digestion metabolism and anti-infection, we did a good job in developing new varieties in the pipeline, and continued to improve the existing products and potential products through marketing reform, technological upgrading and supply chain optimization, so as to build the competitiveness of product portfolio.

The annual R&D investment of the Company increased on a year-on-year basis, and its proportion in industrial sales continued to increase. As at the end of the Reporting Period, there were 54 new drug pipelines for clinical application acceptance and entering the clinical study stage, including 40 innovative drugs (including 1 innovative drug in American clinical Phase II) and 14 improved new drugs. Among the innovative drug pipelines, 1 innovative drug pipeline has been applied for marketing and five innovative drug pipelines are in the clinical Phase III.

- Major new drugs in development:

Classification	Quantity (by indication)	Remarks
Innovative drugs	40	1 project has been applied for marketing, 32 projects entered the clinical stage and 7 projects obtained the clinical approval
Improved new drugs	14	1 project has been applied for marketing, 6 projects entered the clinical stage, 3 projects obtained the clinical approval and clinical application of 4 projects have been accepted
Total	54	/

- Pipeline of innovative drugs in development:

				R&D progress in China and other countries as of the end of the Reporting Period
No.	Treatment	Drug name/Code	Indications	
1	Cardiovascular	I001	Primary mild to moderate hypertension	NDA
2	Psychoneurotic	SRD4610	Amyotrophic lateral sclerosis	Clinical Phase III
3	Neoplasm	BCD-100	Non-small cell lung cancer	Clinical Phase III
4	Immunity	BCD-085	Psoriasis	Clinical Phase III
5	Immunity	BCD-085	Ankylosing spondylitis	Clinical Phase III
6	Immunity	B001-C	Neuromyelitis optica	Clinical Phase III
7	Anti-infection	I008-A	AIDS chronic abnormal immune priming	Clinical Phase II, completed
8	Digestive and metabolism	I001-A	Diabetic nephropathy	Clinical Phase II
9	Immunity	I001-B	Ulcerative colitis	Clinical Phase II
10	Neoplasm	I022 combination drugs	Liposarcoma	Clinical Phase II
11	Neoplasm	I022 combination drugs	Later line therapies for breast cancer	Clinical Phase II
12	Neoplasm	I022 combination drugs	Breast cancer and brain metastasis	Clinical Phase II
13	Neoplasm	I036	Juventus sarcoma	Clinical Phase IIa
14	Psychoneurotic	I037	Acute ischaemic stroke	Clinical Phase II
15	Anti-infection	Benapenem	Anti-infection	Clinical Phase II
16	Neoplasm	I025-A	Colorectal cancer	Clinical Phase II
17	Neoplasm	B013	Breast cancer	Clinical Phase II
18	Neoplasm	B013	Ovarian cancer	Clinical Phase II
19	Immunity	B007-A	Membranous nephropathy	Clinical Phase II
20	Immunity	B007	Pemphigus	Clinical Phase II
21	Immunity	B007	Myasthenia gravis	Clinical Phase II
22	Neoplasm	B015 combination drugs	Advanced solid tumors	Clinical Phase II
23	Neoplasm	B015	Melanoma	Clinical Phase II
24	Digestive and metabolism	SI006	Irritable bowel syndrome	Canada/US, Clinical Phase II
25	Cardiovascular	Salvianolic acid A for injection	Angina pectoris of coronary heart disease	Clinical Phase II
26	Neoplasm	I022	Advanced solid tumors	Clinical Phase I
27	Neoplasm	I025-A	HER2-positive advanced breast cancer	Clinical Phase I
28	Neoplasm	I031	Neoplasm	Clinical Phase I
29	Immunity	I035	Inflammatory bowel disease	Clinical Phase I

Management Discussion and Analysis

No.	Treatment	Drug name/Code	Indications	R&D progress in China and other countries as of the end of the Reporting Period
30	Respiratory system	SV001	Idiopathic pulmonary fibrosis	Clinical Phase I
31	Neoplasm	B019	Childhood leukemia	Clinical Phase I
32	Neoplasm	WST04	Solid tumors	Clinical Phase I
33	Neoplasm	Oncorine	Malignant peritoneal effusion	Clinical Phase I
34	Neoplasm	B019	Adult non-Hodgkin lymphoma	Clinical approval obtained
35	Anti-infection	WST03	Bacterial vaginosis	Clinical approval obtained
36	Psychoneurotic	I048	Schizophrenia	Clinical approval obtained
37	Psychoneurotic	I040	Depression	Clinical approval obtained
38	Digestive and metabolism	WST01	Metabolic syndrome	US, Clinical approval obtained
39	Immunity	I039	Inflammatory bowel disease	Clinical approval obtained
40	Neoplasm	SPH4336 in combination with Osimertinib – KRAS mutant advanced solid tumors	Advanced solid tumors	Clinical approval obtained

- Introduction to major new drug projects in development:

I001 Project: I001 (i.e. SPH3127; class 1 of chemical drug) are a new generation of oral non-peptide small molecule renin inhibitors, and three indications are in the middle and late stage of clinical trials. The application for marketing NDA for hypertension indication obtained CDE acceptance in April 2024, which is expected to provide richer treatment means for the majority of mild and moderate hypertension patients.

B001 Project and B007 Project: the global innovative anti-CD20 antibody drug independently researched and developed by the Company, including B001 (intravenous injection) and B007 (subcutaneous injection), is a highly humanized antibody drug actively explored in multiple rare disease fields. B001 injection is used to treat neuromyelitis optica spectrum disorder (NMOSD), and officially entered the key clinical research in 2024, and it is expected that the Company will provide more effective drugs for patients with rare diseases in China. B007 injection has solved the clinical pain points of traditional intravenous CD20 monoclonal antibody, such as long drug administration time, low patient satisfaction and difficult nursing. With the convenience, potentially lower immunogenicity and better safety of B007 injection, the Company carried out research on three indications of membranous nephropathy, myasthenia gravis and pemphigus in 2024, and it is expected that the Company will provide more clinically advantageous therapeutic drugs for these patients earlier.

Regarding the progress of the consistency evaluation, during the Reporting Period, **a total of 15 varieties (16 specifications) of the Company passed the consistency evaluation of the quality and efficacy, and the products passing the consistency evaluation increased to 74 varieties (103 specifications)**, ranking forefront in the industry. See the “Major R&D projects” below for details of the products passing the consistency evaluation in 2024.

- 2. Build a large BD working system by integrating scattered resources.** In order to accelerate the construction of product lines, the Company integrated the Business Development Department (BD Department), redefined the positioning of BD, integrated scattered BD resources, fully mobilized R&D, production, marketing, commerce, funds and other resources, accelerated the construction of a unified, efficient and collaborative large BD system, sorted out and formed a clear list of BD projects, and laid a good foundation for accelerating the introduction of projects in the future.
- 3. Adhere to the integrity and innovation of traditional Chinese medicine, and achieve important results in the development of large varieties.** The Company seized the favorable policy opportunity to deeply implement the strategy of large varieties and brands of traditional Chinese medicine, achieving positive results. In 2024, the revenue from pharmaceutical manufacturing for traditional Chinese medicine segment amounted to RMB9.571 billion. At the same time, the Company continued to promote the research of evidence-based medicine of large varieties, and made positive progress. The HEARTRIP research paper of Yangxinshi Tablet was published in the Journal of Plant Medicine, an international authoritative academic journal, all 2,000 patients for real-world research on the treatment of chronic musculoskeletal pain with Yuxuebi capsule were enrolled, and the randomized controlled trial (RCT) of the treatment of chronic atrophic gastritis with Weifuchun Capsule progressed smoothly.
- 4. The research and development of rare disease drugs was accelerated, and the industry leading edge was obvious.** The Company meets the clinical needs and is committed to improving the accessibility of drugs for rare diseases. Up to now, the Company has 51 products in the process of production in the field of rare disease treatment, covering 67 indications. Among them, the key product of SPH Ruier **SRD4610 (used for the treatment of amyotrophic lateral sclerosis, ALS) completed the domestic phase II clinical trial, an application for phase III clinical trial was submitted, and the Orphan Drug Designation (ODD) from the US FDA was obtained.**

Management Discussion and Analysis

- **Reshape the marketing system of the pharmaceutical industry and optimize the industrial layout**
 1. **The industrial marketing system was integrated, and the transformation of the marketing model was accelerated.** Promoting the reform of marketing system is the need for the Company to adapt to the changes in the industry market and maintain healthy and sustainable development. During the Reporting Period, the Company completed the integration of the original five sales departments, established the new SPH Sales Company (上藥銷售公司), integrated and optimized functions of middle and back offices, promoted the integration of core businesses, management process optimization, marketing compliance training and other work in an orderly manner, adhered to the guidance of delivering the clinical value of products, strengthened professional and compliance requirements, accelerated the capacity building of self-operated terminals, standardized marketing agents, and made substantial steps in promoting the transformation of marketing models. During the Reporting Period, the Company strengthened industrial and commercial linkage as well as production and marketing coordination, and **achieved 44 products with annual sales revenue from pharmaceutical manufacturing exceeding RMB100 million, including 2 products with annual sales revenue from pharmaceutical manufacturing exceeding RMB1 billion**. The sales revenue of 60 key varieties was RMB13.732 billion, representing a year-on-year increase of 1.43%, covering the fields of immunity, mental nerve, tumor, cardiovascular, digestive metabolism and anti-infection.
 2. **The industrial layout formed an implementation plan, and the technological upgrading was promoted simultaneously.** The Company established a specialized class on industrial layout, formed an implementation plan for industrial product planning for SPH Sine, SPH No.1 Biochemical + SPH Kony, SPH Zhongxi, SPH New Asia and Microecology (including the construction of four research institutes), and sorted out and determined the list of corresponding tasks and the implementation path. The Company focused on the core technology of products, optimized the industrial layout and enhanced the technical competitiveness of products. In October 2024, SPH Xing Ling and SPH New Asia of Shanghai Pharmaceuticals, as the main completion units of scientific research projects, won the first prize and the second prize of the 2023 Shanghai Science and Technology Progress Award respectively for two projects, i.e. “Construction and Application of Technical Innovation and Support System for Quality Control of Traditional Chinese Medicine Industry Chain” and “Collaborative Innovation and Application of Key Evaluation Techniques and Standards for Chemicals”.
 3. **Pharmaceutical manufacturing tended to be more intensive and the effect of reducing costs and increasing efficiency was obvious.** The Company steadily promoted the integrated layout of raw materials and preparations. During the Reporting Period, SPH Jinshan Green Pharmaceutical Boutique Base was officially put into production and a number of products were transferred. Sine Wanxiang Base and Sine Yan’an Base were integrated, and the site of the production line of Xinya Zhangjiang was transferred. The Company continued to implement the “six measures to reduce costs”, systematically promoted the pharmaceutical manufacturing to reduce costs and increase efficiency, and completed 161 lean projects throughout the year. During the conduct of lean projects, the Company won 5 utility model patents, and some lean projects won the demonstration and professional awards by the China Association for Quality, the case award of the national standard application breakthrough project of the Evaluation Criteria for Six Sigma Management, and more.

- **Deepen the development of pharmaceutical business integration and enhance value contribution.**
 1. **The integration of management was strengthened, and a new pattern of commercial integration development was formed.** On the basis of North-South integration, the Company further expanded the layout of pharmaceutical commercial network, promoted the integration of management, enhanced the ability of emergency drug reserve and supply guarantee, and improved the coverage of pure sales network in 25 provinces and cities across the country, basically forming a new pattern of national distribution, regional leadership and integrated development of pharmaceutical commercial distribution business. In 2024, the sales revenue of pharmaceutical service was RMB251.52 billion, representing a year-on-year increase of 7.47%.
 2. **Business transformation was developed steadily and innovative business achieved initial results.** SHAPHAR, a subsidiary of the Company, continued to build a life-cycle health service for innovative drugs and lay out the innovative transformation strategy.
 - ***The advantages of imported and innovative drugs business were further expanded***
The Company strives to build a life-cycle service platform for innovative drugs, providing one-stop management services of the whole supply chain covering four major areas of pre-marketing cooperation, import and export services, nationwide distribution and innovation and value-added services for innovative products of pharmaceutical enterprises around the world. In 2024, the sales revenue of the Company's pharmaceutical service innovation segment was RMB30.5 billion, representing a year-on-year increase of 29.7%. 25 import varieties under general agency were added, covering 20 enterprises.
 - ***A strategic breakthrough was achieved in the contract sales organization (CSO) business.***
The Company's CSO service relies on years of accumulation and experience of large-scale projects, its professional ability has been greatly improved, and the business scale is in the forefront of the industry. In 2024, the service scale of the Company's CSO business reached RMB8 billion, representing a year-on-year increase of 177%. The number of CSO contract products has reached 65, and the Company has established deep cooperation with many multinational pharmaceutical companies.
 - ***The scale of the devices and big health business was increased rapidly.***
In 2024, the Company further expanded the strategic function of device SPD, created a new model of professional benchmark, and the sales revenue of the devices and big health business was RMB44.2 billion, representing a year-on-year increase of 10.5%.

Management Discussion and Analysis

- ***"Internet +" provided new retail value chain solutions***

The Company promoted the development of SPH Cloud Health as a new "Internet +" platform for prescription drug retail under Shanghai Pharmaceuticals, relying on the advantages of integrated wholesale and retail, accelerated the layout in hospital side pharmacies and specialised pharmacies, became an important channel for the first launch of innovative drugs, built the innovative new drug retail model of "commercial insurance + specialised pharmacies", and enhanced differentiated competitiveness. Relying on the innovative first-mover advantage of MediTrust Health Commercial Insurance, the Company gave full play to the core role of commercial insurance in centralized product procurement, channels and bargaining, and accelerated the upgrading and promotion of the multi-payment system of commercial insurance.

- **Increase investment in mergers and acquisitions and actively explore international business.**

1. **Increase investment in mergers and acquisitions, and coordinate the integration of traditional Chinese medicine resources.** During the Reporting Period, the Company actively carried out industrial mergers and acquisitions, joint ventures and cooperation, and increased project screening reserves. In December 2024, the Company officially signed a transaction agreement to acquire 10% equity of Hutchison Pharmaceutical (see A Shares announcement Lin No. 2025-003 for details). Through this acquisition, the Company expects to rely on the collaborative integration of business resources to empower the existing traditional Chinese medicine varieties and further enhance its capabilities in evidence-based medicine, academic promotion and internationalization.
2. **Shanghai and Hong Kong jointly planned a new layout to promote traditional Chinese medicine to the world.** The company is integrated into the national "Guangdong-Hong Kong-Macao Greater Bay Area" development strategy. Relying on the Hong Kong Headquarters and the SPH Hong Kong Traditional Chinese Medicine Development Class, the Company promoted the registration and sales of a batch of Chinese patent medicines in Hong Kong. At the same time, the Company actively strove for the policy support of the Hong Kong government, deepened exchanges and cooperation with external institutions such as scientific research institutions in Hong Kong, and actively planned to take Hong Kong as the bridgehead to promote traditional Chinese medicine to the world.
3. **International business achieved new expansion and sales revenue increased rapidly.** The Company firmly adhered to the international development direction, actively expanded overseas markets, completed the business layout in many countries in Southeast Asia and the Middle East, and realized the registration and sales of products in the field of multi-therapy. **During the Year, the Company completed the registration declarations of 18 new products overseas. As of the end of 2024, the Company had completed the declarations of 25 projects, of which 1 was approved.** In addition, SPH Thailand achieved its first-year sales target, SPH Philippines completed its establishment and accelerated the substantive operation, and SPH Middle East FZ-LLC completed its registration and started drug registration. During the Year, the Company's overseas sales revenue was RMB3.967 billion, representing a year-on-year increase of 24.53%.

SITUATION OF THE INDUSTRY IN WHICH THE COMPANY WAS ENGAGED DURING THE REPORTING PERIOD

Development stage and cyclical characteristics of the industry in which the Company was engaged during the Reporting Period

Pharmaceutical consumption has a rigid attribute, and the pharmaceutical industry is characterized by weak periodicity. Biomedicine is a key track for the new round of global scientific and technological revolution and industrial transformation, an active field in frontier scientific research in the world and a strategic emerging industry related to the national economy, people's livelihood and national security

Generally, China's pharmaceutical industry is in the development stage of deepening reform, differentiated development and accelerated innovation. In terms of industry structure, innovation momentum and new quality productive forces, China's pharmaceutical industry presents the following characteristics:

1. China's pharmaceutical industry is in the stage of terminal pattern adjustment. With the continuous deepening of domestic medical reform, the overall growth rate of the industry has declined, accelerating structural adjustment and transforming into differentiated development.
2. China's pharmaceutical innovation has strong momentum, further improving quality and increasing efficiency. The number of China's pipelines under research ranks the second in the world, with the continuous emergence of independent innovation achievements and active cross-border technical cooperation and authorization, and China has become an important supplier of the global pharmaceutical development system.
3. The new quality productive forces of the pharmaceutical industry have gradually shown their vitality. The number of China's new drug applications remained high, and the number of approved new drugs reached a new high. Pharmaceutical companies are accelerating their overseas expansion, and their quality, efficiency and cost advantages have gradually been recognized by the international market. The inheritance, innovation and development of traditional Chinese medicine as well as the classic famous prescriptions ushered in the first peak of approvals after the application policy was clear.

Management Discussion and Analysis

Industry Situation

During the Reporting Period, the state issued a number of significant policies to encourage innovation in biomedicine, improve the level of pharmaceutical technology, and promote high-quality development of the pharmaceutical industry.

Category	Release Date	Issuing Authority	Document	Main Content
High quality development	5 January 2024	NHSA	Notice on Implementing Fair, Honest, Transparent, and Balanced Inter-Provincial Pricing for Drugs with the Same Generic Name and Brand	It is clarified that unfair and discriminatory high prices for drugs with the same generic name, brand, dosage form and specification across provinces will be essentially eliminated by the end of March 2024, which will promote the pricing practices pharmaceutical of enterprises to be more fair and honest.
Compliance supervision	17 May 2024	National Inter-Ministerial Joint Working Mechanism for Rectifying Unethical Practices in Pharmaceutical Procurement and Sales and Medical Services (14 Ministries and Commissions)	Notice on Issuing the Key Work Points for Correcting Unhealthy Tendency in the Field of Purchase and Sale of Medicinal Products and Medical Services in 2024	Make comprehensive deployments for the rectification work in 2024 and clarify the working principles and specific work points.
Traditional Chinese medicine development	17 June 2024	National Administration of Traditional Chinese Medicine	Action Plan for Standardization of Traditional Chinese Medicine (2024-2026)	Optimize the overall layout of the traditional Chinese medicine standard system, strengthen the supply of the traditional Chinese medicine standards in key areas, promote interactive development between traditional Chinese medicine standards and technological innovation, advance the internationalization of traditional Chinese medicine standards, deepen reform and innovation of traditional Chinese medicine standardization and solidify the foundation for traditional Chinese medicine Standardization.

Category	Release Date	Issuing Authority	Document	Main Content
Innovation encouragement	5 July 2024	Standing Committee of the State Council	Implementation Plan for Full-chain Support for the Development of Innovative Drugs	Coordinate the effective use of policies such as price management, medical insurance contribution, commercial insurance, drug preparation and use, and investment and financing, optimize the evaluation and approval mechanism and assessment mechanism for medical institutions, and put joint efforts to promote the breakthrough development. Mobilize technological innovation resources in all aspects and strengthen the fundamental research on creating new drugs, so as to consolidate the foundation for the development of innovative drugs in China.
Innovation encouragement	30 July 2024	Shanghai Municipal People's Government	Several Opinions on Supporting the Full-Chain Innovation and Development of the Biomedical Industry	Focus on key areas such as R&D, clinical trials, evaluation and approval, application and promotion, industrial implementation, investment and financing, data resources, and internationalization, insist on full-chain innovation, full-chain reform, and full-chain empowerment, and introduce 37 policies and measures in 8 aspects.
Centralized drug procurement	22 November 2024	National Healthcare Security Administration, National Joint Procurement Office for Drugs	Sunshine Medical Procurement All-In-One issued the National Centralized Drug Procurement Document (GY-YD2024-2), official launch of the tenth batch of national centralized drug procurement	The tenth batch of centralized procurement involves 62 varieties, a total of 263 specifications, and the selected results will be implemented in April 2025.
High-quality development	30 December 2024	General Office of the State Council	Opinions on Comprehensively Deepening the Reform of Drugs and Medical Devices Regulation to Promote High-quality Development of the Pharmaceutical Industry	Improve the evaluation and approval mechanism, fully support major innovations, increase support for traditional Chinese medicine research and innovation, actively promote the use of innovative drugs and medical devices, accelerate the approval and marketing of drugs and medical devices urgently needed for clinical use, optimize the evaluation and approval mechanism for clinical trial, expedite the evaluation and approval of drugs and medical devices for rare diseases, promote the improvement of the quality of generic drugs and advance the informatization of production and inspection process of pharmaceutical enterprises.

Management Discussion and Analysis

UPDATE ON THE BUSINESSES ENGAGED DURING THE REPORTING PERIOD

The Company is a large pharmaceutical industry group listed in Shanghai and Hong Kong, and the core enterprise of the big health industry segment of SIIC, the Controlling Shareholder. The Company's main businesses (namely pharmaceutical manufacturing and pharmaceutical service) are all in the leading position in China.

The Company's pharmaceutical manufacturing ranked among the top 50 pharmaceutical companies in the world. The Company had abundant product resources. Guided by meeting clinical demands, the Company continuously increased investment in innovation, actively allocated resources, and accelerated self-research and product introduction, thus gradually transforming from a generic pharmaceutical company to a R&D pharmaceutical company driven by scientific and technological innovation.

In terms of pharmaceutical service, the Company is the second largest national pharmaceutical circulation enterprise and the leading service platform for imported drugs in China. The Company's direct sale network directly covered 25 provinces, municipalities directly under the central government and autonomous regions in China, innovated service models and continuously provided efficient, convenient and reliable services to medical institutions, retail institutions and partners at all levels and patients.

CORE COMPETITIVENESS ANALYSIS

1. Integrated advantages of the industrial chain

Shanghai Pharmaceuticals is a leading integrated industrial group in China's industry and commerce industry. Its businesses cover pharmaceutical manufacturing, distribution and retail, which enable the Company to create synergistic effects in major links of the value chain of the pharmaceutical industry, and have unique business model with shared and mutual benefits, as well as unique comprehensive advantages of the industrial chain and sustainable development momentum. The Company is able to integrate resources to break through the industry development bottlenecks, continuously provide quality product, service and solution for patients, medical institutions and partners, constantly create synergetic profits and value for its shareholders and the society and lower the risks and uncertainties of individual fields.

2. Innovation transformation advantages

The Company has established an open-source innovation system of “independence + collaboration + integration” and continuously deepened its cooperation with universities, research institutes, medical institutions and innovative enterprises. The Company carried out strategic cooperation with Shanghai Jiao Tong University to deepen resource exchange, mutual talent employment, joint platform establishment and achievements sharing, creating an “innovation sample” for industry-university-research mechanisms. The Company has introduced leading talents and innovative teams through “dual employment”, jointly established a national key laboratory for innovative immunotherapy, collaborated on key technology research, discovered and incubated more original new drugs, new technologies and new therapies and promoted the transfer and transformation of technological innovative achievements of colleges and universities to industrialization. Relying on the Shanghai Biomedical Frontier Industry Innovation Center, integrating innovative elements of “industries, universities, research institutes, hospitals and capital” and through in-depth cooperation with scientific research institutes, medical institutions and translational medicine centers, the Company is accelerating the introduction of outstanding projects at home and abroad. In addition, it undertakes joint development, technical support, auxiliary tests and equity investment, and provides first-class experimental sites, equipment and operation services to expedite the incubation and transformation of innovation projects. It aims to quickly cultivate a number of new drugs and build several advanced technology platforms.

3. Green intelligent manufacturing advantages

The Company makes continuous efforts to craft an excellent manufacturing system centered on “ensuring supply, improving quality, reducing costs and increasing efficiency”, optimizes production layout, coordinately establishes four technical research institutes for “APIs, anti-infection, biochemistry, preparations”, strengthens quality management and lean management, optimizes the production process by digitalization, continuation and pipelining, accelerates the industrial application of beyond-limit manufacturing technologies, and creates and transforms a number of “green factory”, “waste-free factory”, “zero-carbon factory” and “green supply chain” projects, consistently driving the transformation and upgrade of pharmaceutical manufacturing towards the “high-end, intelligent and green” direction.

4. Service innovation advantages

Based on a national terminal network and by offering innovative pharmaceutical supply chain services and extended medical services, the Company builds new industry advantages and strong industrial competitiveness in new business areas, such as drug import distribution, vaccine marketing and supply chains, drug marketing services, medical health insurance, high-end consumables, and in-hospital logistics services for pharmaceutical products. The Company continuously explores new models and fields with partners, providing lifecycle services for innovative drugs at different stages. This includes package solutions for pre-marketing services, integrated supply chains, integrated marketing and innovative payment, enhancing the accessibility and affordability of innovative products.

5. Brand advantages

Building on a fine culture steeped in history, the Company upholds the fundamental principles of safety, reliability and innovation, and adheres to the main brand-driven development strategy. It owns a group of established brands with long history and rich connotation, which create effective synergy with the main brand, “Shanghai Pharmaceuticals”.

MAJOR OPERATIONS DURING THE REPORTING PERIOD

Analysis of principal business

1. Analysis on changes in relevant items of statement of profit and statement of cash flows

Unit: RMB

Item	Amount for the Reporting Period	Amount for the same period of last year	Change (%)	Reasons for changes
Operating income	275,250,934,889.66	260,295,088,943.53	5.75	Increase of sales income during the Reporting Period
Operating cost	244,619,261,051.98	228,966,947,001.24	6.84	Increase of sales income during the Reporting Period
Costs of sales	12,713,976,431.27	13,902,191,503.50	-8.55	Decrease of costs of sales during the Reporting Period
Management expense	5,689,841,057.16	5,711,827,446.09	-0.38	Decrease of operation and administration expense during the Reporting Period
Finance costs	1,480,912,176.43	1,485,757,647.45	-0.33	Decrease of interest expense during the Reporting Period
R&D expenditure	2,394,433,810.21	2,204,033,687.43	8.64	Increase of investment in R&D during the Reporting Period
Assets impairment loss	614,373,564.47	561,277,474.11	9.46	Increase in long-term assets impairment loss during the Reporting Period
Credit impairment loss	226,162,119.97	279,958,650.49	-19.22	Decrease of impairment provisions of receivables during the Reporting Period
Other income	634,371,906.48	793,161,586.35	-20.02	Decrease of government grants received during the Reporting Period
Investment income	380,426,728.73	-68,122,676.68	658.44	Increase of long-term equity investment income calculated by equity method during the Reporting Period
Gains arising from changes in fair value	203,853,796.87	404,731,380.72	-49.63	Decrease in fair value of financial assets measured at fair value during the Reporting Period
Gains on assets disposal	187,967,998.85	92,475,307.03	103.26	Increase in gains from disposal of fixed assets and intangible assets during the Reporting Period
Non-operating income	156,399,886.60	40,689,731.27	284.37	Increase in compensation received during the Reporting Period
Non-operating expenses	277,106,289.03	653,627,697.11	-57.60	Decrease in compensation expenses during the Reporting Period
Net cash flow generated from operating activities	5,827,257,731.33	5,231,519,727.10	11.39	Increase in the scale of sales during the Reporting Period
Net cash flow generated from investing activities	415,979,699.69	-2,491,872,838.52	116.69	Increase in cash received from disposal of investments during the Reporting Period
Net cash flow generated from financing activities	-1,863,930,378.66	231,850,890.73	-903.93	Decrease in extra short-term financing bill issued during the Reporting Period

2. Income and cost analysis

(1) Principal business by industry

Unit: RMB

By industry	Operating income	Operating cost	Gross profit margin (%)	Increase/decrease in operating income year-on-year (%)	Increase/decrease in operating cost year-on-year (%)	Increase/decrease in gross profit margin year-on-year
Manufacturing	23,730,757,007.62	9,680,681,264.63	59.21	-9.62	-11.17	+0.71 percentage point
Distribution	251,167,427,596.32	236,240,955,221.46	5.94	7.45	7.87	-0.37 percentage point
Retail	8,514,458,445.21	7,421,543,698.00	12.84	-6.54	-7.47	+0.87 percentage point
Others	274,210,529.60	207,448,747.60	24.35	-3.63	-16.86	+12.04 percentage points
Offsetting	-9,500,352,779.01	-9,479,259,313.98	/	/	/	/

(2) Principal business by region

Unit: RMB

By region	Operating income	Operating cost	Gross profit margin (%)	Increase/decrease in operating income year-on-year (%)	Increase/decrease in operating cost year-on-year (%)	Increase/decrease in gross profit margin year-on-year
Domestic Sales	270,219,738,668.00	241,282,389,690.65	10.71	5.57	6.67	-0.92 percentage point
Overseas Sales	3,966,762,131.74	2,788,979,927.06	29.69	24.53	31.02	-3.48 percentage points

Management Discussion and Analysis

(3) Principal business by product field

Unit: RMB0'000

Therapeutic area	Operating income	Operating cost	Gross profit margin (%)	Increase/decrease in operating income year-on-year (%)	Increase/decrease in operating cost year-on-year (%)	Increase/decrease in gross profit margin year-on-year	Gross profit margin of the same products in the same industry and field
Cardiovascular system	378,681.31	122,434	67.67	-20.56	-23.93	1.43	71.58
Digestive and metabolism	280,144.36	78,672	71.92	6.11	4.88	0.33	61.09
Systemic anti-infection	87,904.74	55,767	36.56	-57.65	-55.45	-3.14	29.78
Central nervous system	162,032.23	54,183	66.56	-11.39	27.36	-10.17	57.85
Anti-tumour and immunomodulatory agents	180,138.60	25,984	85.58	9.98	-9.78	3.16	71.69
Musculoskeletal system	85,197.15	19,083	77.60	-1.86	-17.07	4.11	71.47
Respiratory system	69,016.48	31,121	54.91	-45.33	-22.93	-13.11	50.08
Others	1,129,960.83	580,824	48.60	1.10	-2.21	1.74	/
Total	2,373,075.70	968,068	59.21	-9.62	-11.17	0.71	/

- Notes:
- ① Gross profit margin in the above table = (operating income – operating cost)/operating income * 100%;
 - ② The operating income in terms of systemic anti-infection and respiratory system decreased by more than 30% year-on-year, which was due to the decrease in bid-winning price and listed prices of certain products;
 - ③ The data of gross profit margin of the same products in the same industry and field of cardiovascular system was sourced from the gross profit margin of “cardiovascular drug” products in the 2023 annual report of Hisun Pharmaceutical;
 - ④ Gross profit margin of the same products in the same industry and field in terms of digestive and metabolism, systemic anti-infection and anti-tumour and immunomodulatory agents was sourced from the gross profit margin of “digestive system”, “anti-viral & anti-infection” and “anti-tumor” products in the 2023 annual report of Hapharm;
 - ⑤ Gross profit margin of the same products in the same industry and field in terms of central nervous system was sourced from the gross profit margin of “nervous, blood system drug” products set out in the 2023 annual report of North China Pharmaceutical;
 - ⑥ The data of gross profit margin of the same product in the same industry or field of musculoskeletal system and the respiratory system was sourced from the gross profit margin of “musculoskeletal system drug”, “respiratory system drug” products set out in the 2023 annual report of Shanghai Shyndec Pharmaceutical.

(4) Table of analysis of cost

Unit: RMBO'000

By industry	Cost composition	Amount for the current period	By industry		Amount for the corresponding period of last year	Proportion of the cost to the total cost of the Reporting Period (%)	Change ratio of the amount of the current period compared to that of the corresponding period of last year (%)	Explanation
			Proportion of the cost to the total cost of the Reporting Period (%)	Amount for the corresponding period of last year				
Manufacturing	Raw materials, ancillary materials and packaging materials	669,358.84	69.14	779,769.52	71.55	-14.16	/	
Manufacturing	Power expenses	35,959.30	3.71	37,494.34	3.44	-4.09	/	
Manufacturing	Depreciation expense	64,797.63	6.69	61,600.11	5.65	5.19	/	
Manufacturing	Salaries	84,690.55	8.75	82,885.98	7.61	2.18	/	
Manufacturing	Other manufacturing cost	113,261.83	11.70	128,074.00	11.75	-11.57	/	
Manufacturing	Total manufacturing cost	968,068.13	100.00	1,089,823.95	100.00	-11.17	/	
Service and others	Cost	24,442,887.03	/	22,807,302.40	/	7.17	/	
	Offsetting total cost	-949,029.05	/	-1,000,574.00	/	-5.15	/	
	Total operating cost	24,461,926.11	/	22,896,552.35	/	6.84	/	

3. Expenses

See "Analysis of principal business – analysis on changes in relevant items of statement of profit and statement of cash flows" of this chapter for reasons of changes by more than 30% in financial data such as sales expenses, management expenses, financial expenses, income taxes, etc. during the Reporting Period.

4. R&D investment

(1) Table of R&D investment

Unit: RMBO'000

Expensed R&D investment for the current period	239,443.38
Capitalized R&D investment for the current period	42,371.78
Total investment in R&D	281,815.16
Proportion of the total amount of R&D investment to operating income (%)	11.88
Proportion of capitalized R&D investment (%)	15.04
Number of R&D personnel of the Company	1,772
Proportion of the number of R&D personnel to the total number of personnel of the Company (%)	3.59

Note: Proportion of R&D investment represents that to the manufacturing operating income.

Management Discussion and Analysis

(2) R&D investment in major projects

Unit: RMB0'000

R&D project	R&D investment amount	Expensed R&D investment amount	Capitalized R&D investment amount	Proportion of R&D investment to the operating income (%)	Change ratio of the amount of the current period compared to that of the corresponding period of last year (%)	Explanation
I001	2,986	2,986	-	0.13	-43	In 2023, the Company carried out 260 cases of safety observation and follow-up with expenses primarily including fees for project introduction, project preparation and clinical trial center. In 2024, the subjects completed all the processes, and the Company closed the center and settled the final payment of fees.
B001-C	2,887	2,887	-	0.12	-7	/
I025-A	2,617	2,617	-	0.11	75	In 2023, the project enrolled 28 subjects in the medication group, with expenses primarily including clinical trial center fees, payments for suppliers and drug preparation expenses. In 2024, an additional 79 subjects were enrolled with the total number of follow-up subjects reaching 107 and the expenses primarily included clinical trial center fees, payments for suppliers and drug preparation expenses.
I048	2,318	2,318	-	0.10	175	The project was primarily involved non-clinical studies and sample preparation. The Company has submitted the IND application and obtained approval.
I001-A	1,862	1,862	-	0.08	-10	/

Note: Operating income was the corresponding manufacturing operating income of that product during the Reporting Period.

(3) Major R&D projects

Unit: RMB0'000

R&D Project (including consistency evaluation projects)	Name of drug (product)	Classification of registration	Indications or main function	Whether it belongs to prescription drugs	Whether it belongs to the protection varieties of traditional Chinese medicines (if available)	Phase of R&D (Registration)
I001	Stogilan malate tablets	Class 1 of chemical drugs	Cardiovascular	No	No	Apply for marketing
B001-C	B001-C	Class 1 of biological products for therapeutic use	Immunity	No	No	Clinical Phase III
I025-A	I025	Class 1 of chemical drugs	HER2-positive advanced solid tumors	No	No	Clinical Phase I
I048	I048	Class 1 of chemical drugs	Schizophrenia	No	No	Clinical approved
I001-A	Stogilan mal-ate tablets	Class 1 of chemical drugs	Diabetic nephropathy	No	No	Clinical Phase II
Generic drug	Amisulpride Oral Solution	Class 3 of chemical drugs	Schizophrenia	Yes	No	Approved
Generic drug	Amiodarone Hydrochloride Injection	Class 4 of chemical drugs	Antiarrhythmic	Yes	No	Approved
Generic drug	Valganciclovir Hydrochloride Tablets	Class 4 of chemical drugs	Anti-viral	Yes	No	Approved
Consistency evaluation	Meropenem for Injection (2 specifications)	Supplementary Application	Anti-infection	Yes	No	Approved
Consistency evaluation	Ceftazidime for Injection	Supplementary Application	Anti-infection	Yes	No	Approved
Consistency evaluation	Mecobalamin Tablets	Supplementary Application	Peripheral neuropathy	Yes	No	Approved
Consistency evaluation	Sodium Rabeprazole Enteric- coated Tablets	Supplementary Application	Inhibition of gastric acid secretion	Yes	No	Approved
Consistency evaluation	Norepinephrine Bitartrate Injection	Supplementary Application	Antishock	Yes	No	Approved
Consistency evaluation	Metoclopramide Hydrochloride Injection	Supplementary Application	Antiemetic	Yes	No	Approved
Consistency evaluation	Bupivacaine Hydrochloride Injection	Supplementary Application	Anesthesia	Yes	No	Approved
Consistency evaluation	Atropine Sulfate Injection	Supplementary Application	Anticholinergic drugs	Yes	No	Approved

Management Discussion and Analysis

R&D Project (including consistency evaluation projects)	Name of drug (product)	Classification of registration	Indications or main function	Whether it belongs to prescription drugs	Whether it belongs to the protection varieties of traditional Chinese medicines (if available)	Phase of R&D (Registration)
Consistency evaluation	Losartan Potassium and Hydrochlorothiazide Tablets	Supplementary Application	Hypertension	Yes	No	Approved
Consistency evaluation	Lorazepam Tablets	Supplementary Application	Mental disorder	Yes	No	Approved
Consistency evaluation	Isosorbide Dinitrate Injection	Supplementary Application	Cardiovascular	Yes	No	Approved
Consistency evaluation	Telmisartan and Hydrochlorothiazide Tablets	Supplementary Application	Hypertension	Yes	No	Approved
Consistency evaluation	Citicoline Sodium Injection	Supplementary Application	Disturbance of Consciousness	Yes	No	Approved
Consistency evaluation	Domperidone Tablets	Supplementary Application	Gastrointestinal spasmolysis and gastroprokinetics	No	No	Approved
Consistency evaluation	Pentoxifylline Injection	Supplementary Application	Peripheral artery diseases and inner ear circulation disorders	Yes	No	Approved

Note: "No" for first five R&D projects represents that the R&D project is under research and development and certain contents are not available.

The R&D investment of the Company grew in a sustained and steady way, to ensure that there were new products set up and new products approved to be listed in the existing R&D product line, which provided the impetus for the Company to keep a stable and sustainable development and continuously enhanced the core competitiveness of the Company.

(4) During the Reporting Period, drugs (products) submitted to the supervision department for approval or obtained approval

① Information about submitting and approval

During the Reporting Period, the Company has a total of 17 varieties of drugs applied for production.

No.	Drugs (products) submitted to the state drug supervision department for approval	Approval matters	Application No.	Indications	Classification of registration
1	Tofacitinib Citrate Extended Release tablets	Production application	CYHS2400265	Rheumatoid arthritis	Class 4 of chemicals drug
2	Pyridostigmine Bromide Extended Release Tablet	Production application	CYHS2400832	Myasthenia gravis	Class 3 of chemicals drug
3	Pyridostigmine Bromide Oral Solution	Production application	CYHS2401164	Myasthenia gravis	Class 3 of chemicals drug
4	Ondansetron Oral Soluble Pellicles	Production application	CYHS2404324 CYHS2404325	Nausea and emesis	Class 3 of chemicals drug
5	Omeprazole and Sodium Bicarbonate for Suspension (I)	Production application	CYHS2403271	duodenal ulcer, etc.	Class 3 of chemicals drug
6	Avatrombopag Tablets	Production application	CYHS2402772	Chronic liver disease	Class 4 of chemicals drug
7	Ciclesonide Inhalation Aerosol	Production application	CYHS2404405	Asthma, anaphylactic rhinitis	Class 3 of chemicals drug
8	Paracetamol Granules (Taking directly)	Production application	CYHS2404121	Children cold, aches	Class 3 of chemicals drug
9	Vigabatrin Powder for Oral Solution	Production application	CYHS2403515	Infantile spasms	Class 3 of chemicals drug
10	Diprophylline Injection	Production application	CYHS2403563	Asthma	Class 3 of chemicals drug
11	Clevidipine Injectable Emulsion	Production application	CYHS2402284 CYHS2402285	Hypertension	Class 3 of chemicals drug
12	Mesalazine Gastro-Resistant Prolonged-Release Granules	Production application	CYHS2400301 CYHS2400302	Ulcerative colitis	Class 3 of chemicals drug
13	Minoxidil Liniment	Production application	CYHS2400043 CYHS2400044	Alopecia	Class 3 of chemicals drug
14	Sitagliptin Phosphate/metformin Hydrochloride Tablets	Production application	CYHS2401812	Type 2 Diabetes	Class 3 of chemicals drug
15	Wen Jing Tang Granules	Production application	CXZS2400026	Warming the meridian and tonifying deficiency, and removing blood stasis and relieving pain	Class 3.1 of Chinese medicines
16	Diprophylline Injection	Production application	CYHB2450439	Bronchial asthma, etc.	Class 3 of chemicals drug
17	Isavuconazonium Sulfate for Injection	Production application	CYHS2404300	Invasive aspergillosis	Class 4 of chemicals drug

Management Discussion and Analysis

② Information on approval

During the Reporting Period, the Company obtained production approval for 15 drugs.

No.	Drugs (products) that obtained approval	Approval matters	Approval No.	Indications	Classification of registration
1	Amisulpride Oral Solution	Production	Guoyaozhunzi No. H20243190	Schizophrenia	Class 3 of chemicals drug
2	Amiodarone Hydrochloride Injection		Guoyaozhunzi No. H20243204	Antiarrhythmic	Class 4 of chemicals drug
3	Valganciclovir Hydrochloride Tablets		Guoyaozhunzi No. H20244281	Anti-viral	Class 4 of chemicals drug
4	Levosimendan Injection		Guoyaozhunzi No. H20243557	Acute decompensated heart failure	Class 4 of chemicals drug
5	Methotrexate for Injection		Guoyaozhunzi No. H20243647	Antineoplastic	Class 3 of chemicals drug
6	Sacubitril Valsartan Sodium Tablets		Guoyaozhunzi No. H20243656 Guoyaozhunzi No. H20243657	Chronic cardiac failure, primary hypertension, etc.	Class 4 of chemicals drug
7	Macitentan Tablets		Guoyaozhunzi No. H20243776	Pulmonary arterial hypertension (PAH, WHO Group 1)	Class 4 of chemicals drug
8	Sitagliptin Phosphate Tablets		Guoyaozhunzi No. H20244046 Guoyaozhunzi No. H20244047 Guoyaozhunzi No. H20244048	Improving glycemic control of type 2 diabetic patients	Class 4 of chemicals drug
9	Ezetimibe Tablets		Guoyaozhunzi No. H20244067	Primary hypercholesterolemia, etc.	Class 4 of chemicals drug
10	Eltrombopag Olamine Tablets		Guoyaozhunzi No. H20244420	Thrombocytopenia, etc.	Class 4 of chemicals drug
11	Lurasidone Hydrochloride Tablets		Guoyaozhunzi No. H20244450	Schizophrenia	Class 4 of chemicals drug
12	Celecoxib Capsules		Guoyaozhunzi No. H20244510	Anti-inflammatory and analgesic	Class 4 of chemicals drug
13	Apremilast Tablets		Guoyaozhunzi No. H20249592 Guoyaozhunzi No. H20249593 Guoyaozhunzi No. H20249591	Psoriasis	Class 4 of chemicals drug
14	Lenalidomide Capsules		Guoyaozhunzi No. H20247016	Myeloma, etc.	Chemicals drug
15	Parecoxib Sodium for Injection		Guoyaozhunzi No. H20247086	Short-term therapy for postoperative pain	Chemicals drug

(5) Information on international certification of drugs (products)

During the Reporting Period, SRD4610, applied to indications of Amyotrophic Lateral Sclerosis (ALS), has been granted Orphan-drug Designation by the US FDA.

5. Cash flows

During the Reporting Period, the net cash flow generated from operating activities of Shanghai Pharmaceuticals was RMB5.827 billion, representing a year-on-year increase of 11.39%; the net cash flow generated from investing activities was RMB416 million; and the net cash flow generated from financing activities was RMB-1.864 billion. The net cash flow generated from operating activities accounted for 99.27% of net profit.

Assets and liabilities

Unit: RMB

Item	Current Ending Amount	Proportion of Ending Amount to Total Assets (%)	Last Ending Amount	Proportion of Last Ending Amount to Total Assets (%)	Change ratio of Current Ending Amount to Last Ending Amount (%)	Explanation
Derivative financial assets	16,224,786.35	0.01	2,596,393.11	0.0012	524.90	Increase in fair value of derivative financial assets during the Reporting Period
Notes receivables	1,122,105,045.23	0.51	1,908,648,955.48	0.90	-41.21	Decrease in bank acceptance bills held during the Reporting Period
Advances to suppliers	1,947,402,427.71	0.88	3,190,044,307.40	1.50	-38.95	Decrease in payment in advance during the Reporting Period
Dividends receivable	94,189,935.96	0.04	239,065,993.48	0.11	-60.60	Decrease in dividends receivable during the Reporting Period
Long-term receivables	386,244,506.89	0.17	227,939,569.60	0.11	69.45	Increase in long-term receivables held during the Reporting Period
Construction in progress	2,148,651,608.60	0.97	3,569,629,053.37	1.68	-39.81	Increase in the transfer of construction in progress into fixed assets during the Reporting Period
Development costs	215,324,899.96	0.10	310,509,650.32	0.15	-30.65	Decrease in capitalized R&D costs during the Reporting Period
Derivative financial liabilities	1,598,178.46	0.001	2,316,492.78	0.0011	-31.01	Decrease in fair value of derivative financial liabilities held during the Reporting Period
Non-current liabilities due within one year	842,162,528.36	0.38	2,963,475,811.09	1.40	-71.58	Decrease in long-term borrowings due within one year during the Reporting Period

Management Discussion and Analysis

Analysis on Investment Conditions

1. Overall analysis on external equity investments

Unit: RMB0'000

Amount of investment during the Reporting Period	97,197.54
Increase or decrease in amount of investment	-194,054.03
Amount of investment in the same period of last year	291,251.57
Percentage of increase or decrease in amount of investments (%)	-66.63

2. Major equity investment

As at 31 December 2024, the Company did not have any significant investment under paragraph 32(4A) of Appendix D3 to the Hong Kong Listing Rules.

3. Analysis on companies under control or in which the company has shares

Unit: RMB100 million

Company Name	Business Nature	Shareholding Percentage	Registered Capital	Assets Scale	Owners' Equity	Operating Income	Net Profit
Shanghai Pharmaceutical Co., Ltd.	Sales of drugs	100.00%	50.00	894.99	203.07	1,558.97	23.57
SPH Keyuan Xinhai Pharmaceutical Co., Ltd.	Sales of drugs	100.00%	13.00	379.68	99.18	592.25	10.52
SPH Sine Pharmaceutical Factory Co., Ltd.	Production and sales of drugs	100.00%	11.92	75.06	43.77	45.44	5.80
SPH No. 1 Biochemical & Pharmaceutical Co., Ltd.	Production and sales of drugs	100.00%	2.25	23.12	6.00	11.37	1.22
SPH New Asia Pharmaceutical Co., Ltd.	Production and sales of drugs	96.90%	10.52	17.43	11.10	9.65	0.17
Shanghai TCM Co., Ltd.	Production and sales of drugs	100.00%	14.76	85.44	51.14	79.13	5.70
Chiatai Qingchunbao Pharmaceutical Co., Ltd.	Production and sales of drugs	75.00%	1.29	37.74	27.18	11.76	-0.84
SPH Changzhou Pharmaceutical Co., Ltd.	Production and sales of drugs	75.89%	1.58	54.71	30.49	64.98	2.38
SPH Zhongxi Sunve Pharmaceutical Co., Ltd.	Production and sales of drugs	100.00%	5.46	37.92	29.48	12.40	5.86
SPH Qingdao Guofeng Pharmaceutical Co., Ltd.	Production and sales of drugs	67.52%	0.93	20.60	13.30	20.90	2.32
Hangzhou Huqingyutang Pharmaceutical Co., Ltd.	Production and sales of drugs	51.01%	1.35	13.69	11.03	12.56	2.82
Xiamen TCM Factory Co., Ltd.	Production and sales of drugs	61.00%	2.00	7.02	5.86	7.36	0.95
Liaoning Herbplex Pharmaceutical (Group) Co., Ltd.	Production and sales of drugs	55.00%	1.02	12.10	4.54	8.73	0.91
Shanghai Zhonghua Pharmaceutical Co., Ltd.	Production and sales of drugs	100.00%	0.94	4.68	2.59	2.92	-0.09
Shanghai Medical Instruments Co., Ltd.	Production and sales of medical instruments	100.00%	3.27	6.81	4.27	4.31	-1.54
Shanghai Pharma Sales Co., Ltd.	Sales of drugs	100.00%	0.50	16.02	1.70	15.68	0.69
TECHPOOL Bio-pharma Co., Ltd.	Production and sales of drugs	67.14%	1.00	27.06	20.53	18.32	3.51
SPH Changzhou Kony Pharmaceutical Co., Ltd.	Production and sales of drugs	100.00%	0.15	3.26	2.44	2.21	-0.20

DISCUSSIONS AND ANALYSIS OF THE COMPANY'S FUTURE DEVELOPMENT

Industry landscape and development trends

The year 2025 is the final year of the “14th Five-Year Plan” and also a critical year for high-quality development. The pharmaceutical industry will continue the development trend of the “14th Five-Year Plan” period. (For details, please refer to the paragraph headed “Development stage and cyclical characteristics of the industry in which the Company was engaged during the Reporting Period” above).

Development Strategy

The Company further clarifies the development strategy, strengthens the core competitiveness, and strives to build a world first-class enterprise.

Firstly, insisting on the strategy for serving the healthy China. Guided by innovation and development, the Company will further strengthen the multi-level pharmaceutical circulation service network covering urban and rural areas, and improve the emergency reserve and supply guarantee capabilities of drugs. The Company will further enhance the advantages of digital supply chain and expand the depth and breadth of extending services upstream and downstream. Besides, the Company will further improve the industrial system, promote the inheritance and innovation of the traditional Chinese medicine segment, improve the production and supply capacity, and promote the accessibility of drugs for people in vast areas of China, so as to make greater contributions to the implementation of “Healthy China 2030”.

Secondly, insisting on serving the development of biomedical industry. In terms of the manufacturing segment, the Company will insist on doing what is appropriate and discard what is inappropriate, give full play to the integrated advantages of “pharmaceutical manufacturing and service research and investment”, improve product planning, enhance the innovation system of “One Academy, Four Institutes”, build an open source innovation chain of “independence + collaboration + integration”, accelerate the reserve, collaborative research and industrialization of cutting-edge technologies, and build a cutting-edge industrial innovation center with more ecological dominance to serve the innovation and transformation of Shanghai Pharmaceuticals. Besides, the Company will focus on the “New Track” of cell and gene therapy, insist on paying equal attention to independent R&D and clinical transformation, keep pace with technological progress and production capacity building, give full play to its advantages, seize opportunities, play a leading and exploratory role, build a national-level innovation center for clinical transformation and industrialization of cell and gene therapy, and cultivate new quality productive forces.

Thirdly, insisting on focusing on improving the core competitiveness of the industry. Focusing on the existing key products and potential products in the fields of cardiovascular and cerebrovascular diseases, digestion, rheumatism immunity and anti-infection, the Company will supplement and strengthen the foundation of the chemical drug and biological drug segment, enhance technical capabilities, promote marketing transformation, and build a solid development chassis. The Company will focus on traditional Chinese medicines, microbial ecology, rare diseases drugs and other advantageous businesses, innovate product categories, accelerate market expansion, and enhance value contribution. Besides, the Company will enrich the pipelines of innovative drugs in the fields of self-immunity, mental nerve and tumor by self-research and introduction, and enhance the competitiveness of innovation.

Management Discussion and Analysis

Business Plan

In 2025, the Company will thoroughly understand the development trend of the industry, seize opportunities amidst challenges, open up new grounds in changes, master disruptive cutting-edge technology such as artificial intelligence, and continue to strengthen the support capacity of pharmaceutical service. The Company will consolidate the industrial foundation of pharmaceutical manufacturing, improve the value contribution from traditional Chinese medicine, micro-ecology and big health businesses, and enhance the coordination of pharmaceutical service and manufacturing. The Company will improve the self-research organization and form a R&D and industrial technology system of “One Academy, Four Institutes”. Relying on the construction of Shanghai Biomedical Frontier Industry Innovation Center, the Company will continue to improve the open-source innovation system of “Independence + Collaboration + Integration”, actively expand the “New Track” of cell and gene therapy, and cultivate new quality productive forces.

The Company will adhere to the main development line of “building a solid chassis, strengthening the core and making breakthroughs in innovation”, focus on enhancing the organizational resources and innovation ability of industrial R&D, production and sales, strengthen the “Three Horizontals” through production, R&D and sales, realize the “Three Verticals” through financial penetration, compliance penetration and audit penetration, and build a development system of “Three Horizontals and Three Verticals”, so as to continuously enhance its core competitiveness.

Potential risk factors

In consideration of the impact of geopolitics and international economic situation, the business development of international trade, international investment and import of bulk raw materials may face fluctuation risks in the short term.

The normalization of medical insurance cost control and payment reform will lead to further price reductions for some drugs. The Company will take the initiative to adjust its market strategy according to market changes, actively expand the international market, and accelerate innovation and transformation, thereby striving to market key new products as planned.

Innovative drug research and development projects have long lead times and large investments, and the progress, approval results and timing are subject to certain uncertainties. Therefore, there is a risk that the project development progress or clinical trial results are not as expected. The Company will closely monitor changes in the industry, continue to increase investment in R&D, optimize the allocation of innovation resources, and vigorously introduce market-oriented innovative talents to steadily improve innovation competitiveness.

Impairment test for goodwill is based on the forecast of future cash flow and contains the management’s relevant assumptions and professional judgments. Goodwill is exposed to certain risks of impairment. For possible risks, the Company will actively propose solutions to lower their overall effect on the business of the Company.

Report of the Board of Directors

The board of directors of the Company (the “Board” or the “Board of Directors”) is pleased to present its report together with the audited annual financial statements of the Group for the year ended 31 December 2024. The annual report has been reviewed by the audit committee of the Company and approved at the 20th meeting of the eighth session of the Board. Deloitte Touche Tohmatsu Certified Public Accountants LLP issued standard unqualified auditor’s reports for the financial reports prepared by the Company based on the China Accounting Standards.

PRINCIPAL BUSINESS

Shanghai Pharma is the large-scale pharmaceutical industry group listed in Shanghai and Hong Kong, and it is the core enterprise subordinate to the massive health industry sector of its Controlling Shareholder, namely, SIIC. Its principal business covers pharmaceutical industry, distribution and retail, and Shanghai Pharma possesses unique comprehensive advantages of industry chain, is capable of sharing the sustainable growth opportunity of China’s healthcare and pharmaceutical industry, and furthermore, bringing synergy effect via resources sharing among business sectors.

Details of the principal business of the Group’s main subsidiaries are set out in note (5) 1 to the financial statements. During the Reporting Period, there were no significant changes in the nature of the Group’s principal business.

BUSINESS REVIEW

The details of Business review (including major risks and uncertainties of relevant business and its likely future developments), please refer to the chapter headed “Management Discussion and Analysis” above.

RESULTS AND DIVIDEND

The profit of the Group for the year ended 31 December 2024 and the financial position of the Group as at that date are set out in the financial statements and the notes thereto.

The Board recommends the following profit distribution plan for 2024: The Company proposes to distribute cash dividend of RMB2.90 (tax inclusive) for every ten Shares to all shareholders. As at the 31 December 2024, total proposed cash dividend of RMB1,075,311,833.31 (tax inclusive) shall be distributed based on 3,707,971,839 shares of the total share capital of the Company. The Company has distributed cash dividend of RMB296,335,103.60 (tax inclusive) for the half year of 2024. The total cash dividend of RMB1,371,646,936.91 (tax inclusive) has been distributed for 2024, accounting for 30.13% of consolidated net profit attributable to shareholders of the listed company for the year. After distribution, the Company’s balance of the consolidated undistributed profit will be RMB35,471,895,570.40. During the Reporting Period, there is no conversion of capital reserve into share capital of the Company.

Report of the Board of Directors

If the total share capital of the Company changes during the period up to the record date regarding execution of the profit distribution, the Company intends to maintain distribution amount per share unchanged based on the total share capital on the record date regarding execution of profit distribution and the total profit distribution amount will be adjusted accordingly.

The above profit distribution plan needs to be approved by the 2024 annual general meeting of the Company.

Cash dividend of H Shares is expected to be paid before 30 August 2025. The Company will publish a circular containing, among other things, the proposed final dividend and further information on the forthcoming annual general meeting to shareholders as soon as practicably possible.

RESERVE FUND AVAILABLE FOR DISTRIBUTION

In accordance with the PRC Company Law, the Company can only distribute dividends out of its annual profit available for distribution. Annual profit available for distribution refers to: the balance of the Company's profit after tax after deducting (i) accumulated loss in the previous years; and (ii) allocation to statutory surplus reserve, and (if any) allocation to discretionary surplus reserve (according to such priorities for allocations to those reserves). Calculated on the aforesaid basis, the Company's reserve fund available for distribution as at 31 December 2024 was RMB2,333,058,032.95 based on the financial statements prepared under the China Accounting Standards. In addition, details of the changes in reserves (including the reserve fund available for distribution) as at 31 December 2024 are set out in the note (14) 6 to the financial statements.

TAX CONCESSION

For investors of the Hong Kong Stock Exchange investing in the A Shares of the Company listed on the Shanghai Stock Exchange (the "Northbound Trading of the Shanghai Stock Exchange"), the Company will withhold and pay income taxes at the rate of 10% on behalf of those investors and will report to the tax authorities for the withholding pursuant to the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) and its implementation guidelines and the Circular on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprise on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (國稅函[2008]897號) issued by the State Taxation Administration on 6 November 2008. For investors of Northbound Trading of the Shanghai Stock Exchange who are tax residents of other countries and whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of lower than 10%, those enterprises and individuals may, or may entrust a withholding agent to, apply to the competent tax authorities of the Company for the entitlement of the rate under such tax treaty. Upon approval by the tax authorities, the paid amount in excess of the tax payable based on the tax rate according to such tax treaty will be refunded.

For investors of the Shanghai Stock Exchange investing in the H Shares of the Company listed on the Hong Kong Stock Exchange (the “Southbound Trading of the Hong Kong Stock Exchange”), the Company will withhold and pay individual income taxes at the rate of 20% for individual mainland investors pursuant to Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (Cai Shui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)). For securities investment funds from Mainland China, tax payable shall be the same as that for individual investors. For enterprise investors from Mainland China, the Company will not withhold and pay the income tax of dividends and such enterprise investors shall report and pay the relevant tax themselves.

For all investors investing the Shares of the Company through the Southbound Trading of Shenzhen Stock Exchange, tax on dividends shall be paid in accordance with tax policies under the Northbound Trading of Shanghai Stock Exchange and Southbound Trading of the Hong Kong Stock Exchange pursuant to the “Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect” (Cai Shui [2016] No. 127) 《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號).

CHARITY AND OTHER DONATIONS

See the “2024 Sustainable Development Report and Environmental, Social, and Governance (ESG) Report of Shanghai Pharmaceuticals Holding Co., Ltd.” disclosed by the Company for details.

MAJOR CUSTOMERS AND MAJOR SUPPLIERS

The aggregate sales to the five largest customers was RMB13,863.33 million, accounting for 5.04% of the total sales for the year; the sales to the related parties among the sales to the five largest customers was RMB3,715.23 million, accounting for 1.35% of the total sales for the year.

The aggregate purchase from the five largest suppliers was RMB25,104.37 million, accounting for 10.26% of the total purchase for the year; the purchase from the related parties among the purchase from the five largest suppliers was RMB0, accounting for 0% of the total purchase for the year.

None of the Directors, close associates of the Directors, or any shareholder (who to the knowledge of the Board own more than 5% of issued shares the listed issue) has any interest in the suppliers or customers disclosed above.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Please see the chapter headed “Directors, Supervisors and Senior Management” below.

Report of the Board of Directors

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received a confirmation of independence pursuant to Rule 3.13 of the Hong Kong Listing Rules from each of the independent non-executive directors (namely Gu Zhaoyang, Manson Fok and Wang Zhong) and the Company considers such directors to be independent during the Reporting Period.

INTEREST OF DIRECTORS AND SUPERVISORS IN COMPETING BUSINESS

As of 31 December 2024, no director or supervisor of the Company has interest in any business which competes or may compete, either directly or indirectly with any business of the Group.

SERVICE CONTRACTS

During the Reporting Period, none of directors or supervisors entered into the service contract with the Company which was not terminable by the Company within one year without payment of compensation other than statutory compensation except for the service contracts of management of the Company.

MATERIAL INTEREST OF DIRECTORS AND SUPERVISORS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

During the Reporting Period, no director or supervisor (including any entity connected with a director or supervisor) of the Company had a material personal interest, whether directly or indirectly, in any transaction, arrangement or contract of significance of the Company (including its subsidiaries) except service contracts.

CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS

Save as disclosed in this annual report, during the Reporting Period, the Company or any of its subsidiaries had not entered into any contract of significance with the Controlling Shareholder (as defined under the Hong Kong Listing Rules) or any of its subsidiaries, nor had any contract of significance been entered into for the services provided by the Controlling Shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

MANAGEMENT CONTRACTS

During the Reporting Period, the Company has not entered into any contract with any individual, company or body corporation to manage or dispose all or any part of major business of Shanghai Pharmaceuticals.

TOP 10 SHAREHOLDERS AND THEIR SHAREHOLDINGS AT THE END OF THE REPORTING PERIOD

Unit: Share

Name of shareholders	Increase/ Decrease during the Reporting Period	Number of Shares held at the end of the Reporting Period	Shareholding percentage (%)	Number of trade restricted Shares held	Pledged or frozen	Nature of shareholders
HKSCC NOMINEES LIMITED ^{Note 1}	40,625	918,224,249	24.764	0	Unknown	Foreign legal person
Shanghai Pharmaceutical (Group)	0	716,516,039	19.324	0	Nil	State-owned legal person
Yunnan Baiyao	0	665,626,796	17.951	665,626,796	Nil	Domestic non-state-owned legal person
SIIC and its subsidiaries and Shanghai Shangshi and its subsidiaries ^{Note 2}	17,322,500	647,310,298	17.457	187,000,000	Nil	State-owned legal person
New China Insurance and its subsidiaries	199,602,877	206,159,178	5.560	0	Nil	State-owned legal person
Hong Kong Securities Clearing Company Limited ^{Note 3}	-7,254,248	76,777,476	2.071	0	Unknown	Foreign legal person
China Securities Finance Corporation Limited	0	41,330,543	1.115	0	Unknown	State-owned legal person
Guosheng Group and its subsidiaries	-3,870,400	40,761,700	1.099	0	Nil	State-owned legal person
China Construction Bank Corporation-E fund CSI 300 Medical and Healthcare Trading Open-end Index Securities Investment Fund	3,816,417	20,551,054	0.554	0	Unknown	Unknown
Industrial and Commercial Bank of China Limited – Huatai-PineBridge CSI 300 Trading Open-end Index Securities Investment Fund	10,957,001	19,227,469	0.519	0	Unknown	Unknown

Note 1: Shares held by HKSCC NOMINEES LIMITED are held on behalf of its clients and the number of Shares it holds as shown in the table above includes the 238,008,500 H Shares held by SIIC's subsidiaries, 44,006,600 H Shares held by New China Insurance through Southbound Trading and 19,644,700 H Shares held by Guosheng Group through Southbound Trading. As the relevant rules of the Hong Kong Stock Exchange do not require clients to report whether the shares that they hold are pledged or frozen, HKSCC NOMINEES LIMITED is unable to provide statistics on the number of shares that have been pledged or frozen.

Note 2: The 187,000,000 A Shares held by Shanghai Tandong are included in the number of Shares held by Shanghai Shangshi and its wholly-owned subsidiaries. The number of shares held by Shanghai Pharmaceutical (Group) is not included.

Note 3: Hong Kong Securities Clearing Company Limited is the nominee holder of the RMB ordinary Shares under Shanghai-Hong Kong Stock Connect.

Report of the Board of Directors

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS, CHIEF EXECUTIVE, SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2024, according to the information available to the Company and to the knowledge of the Directors, the following shareholders had interests or short positions in the Shares or underlying Shares which were subject to disclosure by the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were directly or indirectly interested in 5% or more of the voting rights of the total number of the issued A Shares or H Shares at the general meetings of the Company. Interests and short positions of Directors, Supervisors and Chief Executive are set out in the “Chapter 7 Directors, Supervisors and Senior Management”.

Name of shareholders	Class of Shares	Nature of interests in shares	Number of shares	Percentage of A Shares/H Shares held as at the end of the Reporting Period to the entire issued A Shares/H Shares (%)	Percentage in total share capital of the Company as at the end of the Reporting Period (%)
SIIC Group ^{Note 1(1)}	A Shares/H Shares	Interests of controlled corporations	1,363,826,337(L)	40.37 (A shares)/ 25.90 (H shares)	36.78
Shanghai Shangshi Group ^{Note 1(2)}	A Shares	Beneficial owner/Interests of controlled corporations	1,125,317,837(L)	40.35	30.35
Shanghai Pharmaceutical (Group) ^{Note 1(3)}	A Shares	Beneficial owner	716,516,039(L)	25.69	19.32
Yunnan Baiyao	A Shares	Beneficial owner	665,626,796(L)	23.87	17.95
New China Insurance and its subsidiaries	A Shares/H Shares	Beneficial owner	206,159,178(L)	5.81 (A shares)/ 4.79 (H shares)	5.56

(L) represents long position, (S) represents short position

Note 1: (1) SIIC is a wholly-owned subsidiary of Shanghai SASAC. SIIC Group refers to SIIC and its wholly owned subsidiaries. According to the Decision on Authorising Shanghai Industrial Investment (Holdings) Co., Ltd. to Operate the State-owned Assets of Shanghai Overseas Companies, its Major Overseas Group Companies and Shanghai Shangshi (Group) Co., Ltd. (Hu Guo Zi Wei Shou [1998] No. 6) issued by the Shanghai SASAC in 1998, SIIC was authorised to be the de facto controller of Shanghai Shangshi and is therefore deemed to hold Shares of the Company through Shanghai Shangshi. As at the end of the Reporting Period, SIIC held 1,363,826,337 Shares of the Company in total (including A Shares and H Shares), of which 500,000 A Shares and 238,008,500 H Shares were directly held by SIIC Group, and 1,125,317,837 A Shares were indirectly held by SIIC through Shanghai Shangshi Group;

(2) Shanghai Shangshi is a wholly-owned subsidiary of the Shanghai SASAC. Shanghai Shangshi Group refers to Shanghai Shangshi and its wholly-owned subsidiaries. Shanghai Shangshi holds 60% equity interests in Shanghai Pharmaceutical (Group) and is therefore deemed to hold Shares of the Company through Shanghai Pharmaceutical (Group). As at the end of the Reporting Period, out of the 1,125,317,837 A Shares held by Shanghai Shangshi Group in the Company, 221,801,798 A Shares were directly held by Shanghai Shangshi, while 716,516,039 A Shares were indirectly held by Shanghai Shangshi through Shanghai Pharmaceutical (Group) and 187,000,000 A Shares were indirectly held by Shanghai Shangshi through Shanghai Tandong.

- (3) As at the end of the Reporting Period, Shanghai Pharmaceutical (Group) is held as to 60% by Shanghai Shangshi and as to 40% by S.I. Yangtze River Delta. S.I. Yangtze River Delta is held as to 50% by Shanghai Industrial and as to 50% by Shanghai Overseas Company. SIIC held approximately 62.9% equity interest in Shanghai Industrial and was authorized to manage Shanghai Overseas Company.
- (4) In November 2024, New China Insurance and its concerted action parties held a total of 149,173,574 A shares and 37,895,900 H shares of Shanghai Pharmaceuticals, accounting for approximately 5.05% of the Company's total share capital (for details, please refer to the Company's overseas regulatory announcement dated 14 November 2024). As of the end of the Reporting Period, the total number of Shanghai Pharmaceuticals' A shares held by New China Insurance and its concerted action parties increased to 162,152,578 shares, and the number of H shares held increased to 44,006,600 shares.

- Note 2:
- (1) Figures disclosed above are based on the information provided on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the knowledge of the Company;
 - (2) Pursuant to Section 336 of the SFO, the shareholders of the Company are required to file a disclosure of interests form when certain conditions are fulfilled. When a shareholding in the Company changes, it is not necessary for the Shareholder to notify the Company and the Hong Kong Stock Exchange unless certain conditions have been fulfilled, therefore a shareholder's latest shareholding in the Company may be different from the shareholding filed with the Hong Kong Stock Exchange;
 - (3) Save as disclosed above, as at 31 December 2024, the Company was not aware of any other person (other than the Directors, Supervisors and Chief Executive of the Company) who had interests or short positions in the Shares or underlying Shares of the Company which were required, pursuant to Section 336 of the SFO, to be entered in the register maintained by the Company.

SHARE OPTION SCHEME

On 18 December 2019, the Company's 2019 share option incentive scheme (the "Option Incentive Scheme") was considered and approved by the shareholders of the Company at the 2019 first extraordinary general meeting, the 2019 second H-share class meeting, and the 2019 second A-share class meeting (the "General Meetings") and adopted by the Company. On 19 December 2019 (the "Initial Options Grant Date") pursuant to shareholders' authorization, the Board approved the grant of 25,680,000 share options to 211 participants. Due to the resignation of employee, the Company considered and approved at the meeting of the Board on 10 February 2020 to adjust the number of the initial participants from 211 to 210 and the number of initial granted options was adjusted from 25,680,000 to 25,600,000 accordingly. On 15 December 2020 ("Reserved Options Grant Date", together with "Initial Options Grant Date" collectively referred to as "Grant Date"), pursuant to shareholders' authorization, the Board approved the grant of 2,730,000 share options to 28 participants.

Report of the Board of Directors

Due to the resignation or unfulfillment of performance assessment requirements of some employees, on 5 January 2022, the Board of the Company considered and approved to adjust the number of the initial participants from 210 to 190 and the number of initial granted options was adjusted from 25,600,000 to 23,258,120 accordingly; on 9 January 2023, the Board considered and approved to adjust the number of the initial participants from 190 to 182 and the number of initial granted options was adjusted from 23,258,120 to 22,735,520 accordingly and the number of participants of reserved options was adjusted from 28 to 23 and the number of reserved options was adjusted from 2,730,000 to 2,290,000 accordingly; on 21 December 2023, the Board considered and approved to adjust the number of the initial participants from 182 to 170 and the number of initial granted options was adjusted from 22,735,520 to 22,065,720 accordingly; on 31 December 2024, the Board considered and approved to adjust the number of participants of reserved options from 23 to 20 and the number of reserved options was adjusted from 2,290,000 to 2,191,400 accordingly.

Due to fulfillment of the exercise conditions for the first exercise period, the second exercise period and the third exercise period of the initial granted share options and fulfillment of the exercise conditions for the first exercise period and the second exercise period of the reserved share options of the Option Incentive Scheme, on 5 January 2022, the Board considered and approved that 190 participants can exercise 7,667,220 share options during the first exercise period; on 9 January 2023, the Board considered and approved that 182 participants can exercise 7,421,700 share options during the second exercise period and 23 participants can exercise 755,700 share options during the first exercise period of reserved share options; on 21 December 2023, the Board considered and approved that 170 participants can exercise 6,976,800 share options during the third exercise period and 23 participants can exercise 755,700 share options during the second exercise period of reserved options. The exercise and share transfer registration in respect of total 3,342,561 shares have completed during the first exercise period of the initial granted share options under the Option Incentive Scheme which has expired on 13 February 2023. On 30 March 2023, the Board of the Company considered and approved that 4,324,659 share options that had expired but not been exercised during the first exercise period of the initial granted options under the 2019 A-share Option Incentive Scheme of the Company have been cancelled. The exercise and share transfer registration in respect of total 4,972,629 shares have completed during the second exercise period of the initial granted share options under the Option Incentive Scheme which has expired on 13 February 2024. The exercise and share transfer registration in respect of total 269,746 shares have completed during the first exercise period of the reserved share options which has expired on 7 February 2024. On 28 March 2024, the Board of the Company considered and approved that 2,449,071 share options that had expired but not been exercised during the second exercise period of the initial granted share options and 485,954 share options that had expired but not been exercised during the first exercise period of the reserved share options have been cancelled. The exercise and share transfer registration in respect of total 4,828,870 shares have completed during the third exercise period of the initial granted share options under the Option Incentive Scheme which has expired on 13 February 2025. The exercise and share transfer registration in respect of total 231,885 shares have completed during the second exercise period of the reserved share options which has expired on 7 February 2025. On 27 March 2025, the Board of the Company considered and approved that 2,147,930 share options that had expired but not been exercised during the third exercise period of the initial granted share options and 523,815 share options that had expired but not been exercised during the second exercise period of the reserved share options have been cancelled. As at 31 December 2024, 13,255,721 A-share share options were exercised by the Company.

In conclusion, as at 31 December 2024, 3,741,715 A-share share options were granted by the Company, which had not been exercised.

1. PURPOSE OF THE OPTION INCENTIVE SCHEME

To further optimize the corporate governance structure of the Company, create long-term incentive and restrictions on the senior management, mid-level management and key technical and business staff and other employee participants of the Company, fully encourage their initiative and creativity, effectively align their interests with the Company's long term development, prevent the loss of talents, and achieve sustainable development of the Company, as proposed by the Remuneration and Assessment Committee of the Board, Shanghai Pharmaceuticals formulated the Option Incentive Scheme in accordance with relevant laws, regulations and regulatory documents, and the Articles of Association.

2. DETERMINATION OF AND DISTRIBUTION TO PARTICIPANTS UNDER THE OPTION INCENTIVE SCHEME

The participants under the Option Incentive Scheme, comprise the senior management, mid-level management and key technical and business staff of the Company. The participants do not include non-executive Directors, independent non-executive Directors, members of the Remuneration and Assessment Committee, Supervisors, and any substantial shareholders or actual controller individually or jointly holding more than 5% of the Shares of the Company and their respective spouse, parents and children. All participants are employed by the Company or its holding subsidiaries and branches, and have entered into labour contracts with and received remuneration from the Company or its holding subsidiaries.

As at 31 December 2024, the distribution of the share options to participants is as follows:

Name	Position(s)	Number of the share options granted (in 10,000 A Shares)	Percentage to total number of the share options granted	Percentage to total share capital of the Company as of the Grant Date
Cho Man ^{Note 1}	Executive Director, President (resigned)	48.00	1.979%	0.017%
Shen Bo	Executive Director, President, Chief Financial Officer	39.00	1.608%	0.014%
Li Yongzhong	Executive Director, Executive President	39.00	1.608%	0.014%
Zhao Yong	Vice President	33.00	1.360%	0.012%
Mao Jianyi	Vice President	33.00	1.360%	0.012%
Gu Haoliang ^{Note 2}	Vice President (resigned)	33.00	1.360%	0.012%
Zhang Yaohua ^{Note 3}	Vice President (resigned)	33.00	1.360%	0.012%
Chen Jinzhu ^{Note 4}	Vice President, Secretary to the Board, Joint Company Secretary (resigned)	33.00	1.360%	0.012%
Pan Deqing ^{Note 5}	Vice President (resigned)	18.00	0.742%	0.006%
Maimaiti Aili ^{Note 6}	Vice President	8.00	0.330%	0.003%
Middle level management and core employees of the Company (160 persons in total after adjustment) under the initial grant		1,889.572	77.898%	0.665%
Middle level management and core employees (20 persons in total) under the reserved options grant		219.14	9.034%	0.077%
Total		2,425.712	100.000%	0.853%

Report of the Board of Directors

- Note 1: Mr. Cho Man has resigned from the executive director, vice president and other positions of the Company on 29 June 2023 (for details, please refer to the Company's announcement dated 30 June 2023). Except share options that granted but not exercised during the first exercise period and the second exercise period of the initial granted options have been cancelled by the Company and share options that granted but not exercised during the third exercise period of the initial granted options shall be subsequently cancelled by the Company, his granted share options remained unchanged as at 31 December 2024.
- Note 2: Mr. Gu Haoliang ceased to be the vice president of the Company on 29 March 2022 (for details, please refer to the Company's overseas regulatory announcement dated 30 March 2022 (A share announcement Lin No. 2022-025)). His share options that granted but not exercised during the first exercise period and the second exercise period of the initial granted options have been cancelled by the Company. Due to unfulfillment of exercise conditions, his share options granted during the third exercise period of the initial granted options have been cancelled by the Company, for details, please refer to the Company's overseas regulatory announcement dated 22 December 2023 (A share announcement Lin No. 2023-100).
- Note 3: Mr. Zhang Yaohua has resigned from the vice president and other positions of the Company on 5 August 2024. For details, please refer to the Company's overseas regulatory announcement dated 6 August 2024 (A share announcement Lin No. 2024-074). Except share options that granted but not exercised during the second exercise period of the initial granted options have been cancelled by the Company and share options that granted but not exercised during the third exercise period of the initial granted options shall be subsequently cancelled by the Company, his granted share options remained unchanged as at 31 December 2024.
- Note 4: Ms. Chen Jinzhu ceased to be the vice president of the Company on 29 March 2022, and ceased to be the secretary to the Board and joint company secretary of the Company from 29 August 2022. For details, please refer to the Company's overseas regulatory announcement dated 30 March 2022 (A share announcement Lin No. 2022-025) and the Announcement on Proposed Re-election and Election of Directors and Supervisors, etc. dated 29 August 2022 (A share announcement Lin No. 2022-066). Her share options that granted but not exercised during the first exercise period and the second exercise period of the initial granted options have been cancelled by the Company. Due to unfulfillment of exercise conditions, her share options granted during the third exercise period of the initial granted options have been cancelled by the Company, for details, please refer to the Company's overseas regulatory announcement dated 22 December 2023 (A share announcement Lin No. 2023-100).
- Note 5: Mr. Pan Deqing ceased to be the vice president of the Company on 2 September 2023 (for details, please refer to the Company's overseas regulatory announcement dated 2 September 2023 (A share announcement Lin No. 2023-071)). His share options that granted but not exercised during the first exercise period and the second exercise period of the initial granted options have been cancelled by the Company. Due to unfulfillment of exercise conditions, his share options granted during the third exercise period of the initial granted options have been cancelled by the Company, for details, please refer to the Company's overseas regulatory announcement dated 22 December 2023 (A share announcement Lin No. 2023-100).
- Note 6: Mr. Maimaiti Aili was appointed as the vice president of the Company on 5 November 2024 (for details, please refer to the Company's overseas regulatory announcement dated 6 November 2024 (A share announcement Lin No. 2024-100)). Except share options that granted but not exercised during the first exercise period and the second exercise period of the initial granted options have been cancelled by the Company and share options that granted but not exercised during the third exercise period of the initial granted options shall be subsequently cancelled by the Company, his granted share options remained unchanged as at 31 December 2024.

3. NUMBER OF SHARE OPTIONS GRANTED UNDER THE OPTION INCENTIVE SCHEME

The number of A-share share options granted under the Option Incentive Scheme is 24,257,120, representing not more than 1% of the total number of Shares of the Company in issue as of the date of this report.

4. MAXIMUM NUMBER OF SHARE OPTIONS GRANTED TO EACH PARTICIPANT UNDER THE OPTION INCENTIVE SCHEME

The total number of Shares to be granted to the participants under the Option Incentive Scheme which are still in the Validity Period of the Option Incentive Scheme shall not exceed 1% of the Company's total share capital at the time of the approval of the Option Incentive Scheme by the General Meetings (being 18 December 2019) on a cumulative basis.

5. VESTING PERIOD

The vesting period shall be the period commencing from the registration date of the grant of share options to the first exercise date. The vesting period for the Option Incentive Scheme shall be 24 months.

6. EXERCISE PERIOD AND EXERCISE DATE

The share options granted to the participants can be exercised after the vesting period. The exercise date must be a trading day and shall not fall into the following periods:

- (i) the period commencing on 30 days prior to the announcements of periodic reports of the Company, or in the event of postponement in publishing the periodic reports for special reasons, 30 days prior to the original announcement date and end on one day prior to the actual announcement date;
- (ii) the period commencing on 10 days prior to the announcements of results forecast and preliminary results of the Company;
- (iii) the period commencing on the date of the occurrence of material events that may have significant impacts on price of Shares and derivatives of the Company, or the date of entering into the decision-making process, and end on two business days after such events have been lawfully disclosed; and
- (iv) other periods prescribed by the CSRC and the Shanghai Stock Exchange.

Report of the Board of Directors

During the exercise period, the participants are able to exercise the options according to the following exercising arrangement upon the fulfillment of the exercise conditions under the Option Incentive Scheme. The exercise period of the share options and timetable for each exercise are set out below:

Exercise Period	Time Arrangement	Proportion of Exercisable Share Option to the Number of Share Option Granted
First exercise period	Commencing from the first trading day upon the expiry of 24 months from the Grant Date to the last trading day upon the expiry of 36 months from the Grant Date	33%
Second exercise period	Commencing from the first trading day upon the expiry of 36 months from the Grant Date to the last trading day upon the expiry of 48 months from the Grant Date	33%
Third exercise period	Commencing from the first trading day upon the expiry of 48 months from the Grant Date to the last trading day upon the expiry of 60 months from the Grant Date	34%

The participants shall exercise the share options during the exercise period. If the exercise conditions are not fulfilled, such share options shall not be exercised. If the exercise conditions are fulfilled nevertheless not all of the relevant share options have been exercised during the above period, such share options shall be cancelled by the Company.

7. EXERCISE PRICE

The exercise price of the share options under the Option Incentive Scheme is RMB18.41 per A Share for the initial grant, i.e. upon the fulfillment of the exercise conditions, the participants are able to purchase the A Shares issued by the Company to the participants at the price of RMB18.41 per A Share. In cases of capitalization of capital reserves, bonus issue and shares subdivision, rights issue, and share consolidation, exercise price of the share options shall be adjusted accordingly.

The exercise price of the share options for the initial grant under the Option Incentive Scheme shall not be less than the nominal value of the A Shares and shall not be lower than the higher of:

- (i) the average trading price of the A Shares on the trading day immediately preceding the date of the announcement in relation to the Option Incentive Scheme, being RMB18.20 per A Share;
- (ii) the average trading price of the A Shares for 60 trading days immediately preceding the date of the announcement in relation to the Option Incentive Scheme, being RMB18.41 per A Share.

The share options for the reserved grant shall be approved by the meetings of the Board before each grant, among whom, the directors who are proposed to be participants or directors in relation thereto shall abstain from voting. The exercise price shall be not be less than the nominal value of the A Shares and determined with reference to the higher of:

- (i) the average trading price of the A Shares on the trading day immediately preceding the date of the announcement of the Board's resolution of granting the reserved options;
- (ii) the average trading price of the A Shares for 20, 60 or 120 trading days immediately preceding the date of the announcement of the Board's resolution of granting the reserved options.

8. VALIDITY PERIOD

(1) Validity period of the Option Incentive Scheme

The Option Incentive Scheme will take effect after it has been considered and approved by the General Meetings, and will expire on the date on which the share options granted under the Option Incentive Scheme have been exercised or cancelled.

(2) Validity period of the share options

The validity period of the share options granted under the Option Incentive Scheme commences from the registration date of the grant, which shall not exceed 60 months.

Report of the Board of Directors

9. CHANGES IN OPTIONS GRANTED UNDER THE OPTION INCENTIVE SCHEME

Details of changes in options granted under the Option Incentive Scheme for the year ended 31 December 2024 are as follows:

Name	Position(s)	Number							Grant Date	Exercise period	Price	The weighted average closing price of A shares of the Company immediately before the exercise date during the Reporting Period
		of options outstanding at the beginning of the Reporting Period (in 10,000 A Shares)	Number of options granted during the Reporting Period (in 10,000 A Shares)	Number of exercisable options during the Reporting Period (in 10,000 A Shares)	Number of options exercised during the Reporting Period (in 10,000 A Shares)	Number of options cancelled during the Reporting Period (in 10,000 A Shares)	Number of options lapsed during the Reporting Period (in 10,000 A Shares)	Number of options outstanding during the Reporting Period (in 10,000 A Shares)				
Shen Bo	Executive Director, President, Chief Financial Officer	26.13	0	26.13	0	-12.87	0	13.26	19 December 2019	From 14 February 2022 to	RMB18.41 per A Share	
Li Yongzhong	Executive Director, Executive President	26.13	0	26.13	0	-12.87	0	13.26		13 February 2025		
Zhao Yong	Vice President	22.11	0	22.11	0	-10.89	0	11.22				
Mao Jianyi	Vice President	22.11	0	22.11	0	-10.89	0	11.22				
Maimaiti Aili	Vice President	2.72	0	2.72	0	0	0	2.72				
Resigned senior executives (5 members)		81.99	0	81.99	0	-54.45	0	27.54				
Middle level management and core employees of the Company (160 persons in total after adjustment) under the initial grant		761.3971	0	761.3971	-443.8900	-142.9371	0	174.5700				RMB21.91
Middle level management and core employees (20 persons in total after adjustment) under the reserved options grant		202.0254	0	124.1654	-23.1885	-58.4554	0	120.3815	15 December 2020	From 8 February 2023 to 7 February 2026	RMB20.16 per A share	RMB22.54
Total		1,144.6125	0	1,066.7525	-467.0785	-303.3625	0	374.1715				

Note: Immediately prior to the Initial Options Grant Date (namely 18 December 2019), the closing price of the Company's A Shares was RMB18.07 per A Share; Immediately prior to the Reserved Options Grant Date (namely 14 December 2020), the closing price of the Company's A Shares was RMB19.22 per A Share.

According to the Option Incentive Scheme, please refer to the paragraphs above for the Grant Date, validity period, vesting period, exercise period, and exercise price of the above share options.

As of 31 December 2024, exercise conditions for the third exercise period of the initial granted share options for 170 participants under the 2019 Option Incentive Scheme of the Company and exercise conditions for the second exercise period of the reserved share options for 23 participants had been fulfilled. According to the exercise arrangement for the Option Incentive Scheme of the Company, exercisable options for the third exercise period accounted for 34% of the granted share options, and exercisable options for the second exercise period of the reserved share options accounted for 33% of the granted share options, that is, 170 participants under the Share Option Scheme of the Company can exercise 6,976,800 share options in total during the third exercise period. The closing date for the exercise of share options was 13 February 2025. 23 participants for the reserved share options can exercise 755,700 share options in total during the second exercise period. The closing date for the exercise of share options was 7 February 2025.

As of 31 December 2024, exercise conditions for the third exercise period of the reserved share options under the 2019 Option Incentive Scheme of the Company had been fulfilled. According to the exercise arrangement for the Option Incentive Scheme of the Company, exercisable options for the third exercise period of the reserved share options accounted for 34% of the granted share options, that is, 20 participants of the Company for the reserved share options can exercise 680,000 share options in total during the third exercise period. The closing date for the exercise of share options was 7 February 2026.

As of the beginning and end of the Reporting Period, no options were granted by the Company according to the Option Incentive Scheme.

10. VALUE OF SHARE OPTIONS AND ACCOUNTING POLICIES IN RELATION THERETO

(1) *Value of share options*

According to the relevant requirements of the Accounting Standards for Business Enterprises No. 11 – Share-based Payments and Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments issued by the Ministry of Finance, the Company elected the Black-Scholes model (B-S model) for the calculation of the fair value of shares options. As the valuation of options are subject to a number of assumptions and with regard to the limitation of the B-S model, the Company would like to remind all the shareholders and potential investors of the Company that the estimation of such value is subjective and uncertain.

Report of the Board of Directors

Initial Grant

The Company estimated the fair value of shares options initially granted using B-S model on 19 December 2019 (Initial Options Grant Date). Particulars are as follows:

The initial options granted by Shanghai Pharmaceuticals on 19 December 2019 were vested in three batches. The fair values per share of the first, second and third batch of vested options are RMB3.21 per A Share, RMB3.53 per A Share, and RMB5.04 per A Share, respectively.

Based on various data on 19 December 2019, the values and descriptions of the parameters of the valuation model are as follows:

- (i) Market price of underlying shares: RMB18.08 per A Share (the closing price of the Company's Shares on the Initial Options Grant Date is RMB18.08 per A Share)
- (ii) Exercise price: RMB18.41 per A Share
- (iii) Validity period: 2.5 years, 3.5 years and 4.5 years (depending on the weighted average exercise period of options vested in each period)
- (iv) Volatility rate: 29.14%, 26.86% and 34.76% (using the Company's volatility rate in the past 2.5 years, 3.5 years and 4.5 years)
- (v) Risk-free interest rates: 2.76%, 2.86% and 2.96% (using the 2.5-year, 3.5-year, and 4.5-year benchmark deposit interest rate of government bonds)
- (vi) Expected dividend yield: 1.72% (using the Company's average dividend yield in the past three years)

Reserved Options Grant

The Company estimated the fair value of reserved options granted using B-S model on 15 December 2020 (Reserved Options Grant Date). Particulars are as follows:

The options granted by Shanghai Pharmaceuticals on 15 December 2020 were vested in three batches. The fair values per share of the first, second and third batch of vested options are RMB3.37 per A Share, RMB3.83 per A Share, and RMB4.06 per A Share, respectively.

Based on various data on 15 December 2020, the values and descriptions of the parameters of the valuation model are as follows:

- (i) Market price of underlying shares: RMB19.00 per A Share (the closing price of the Company's Shares on the Reserved Options Grant Date is RMB19.00 per A Share)
- (ii) Exercise price: RMB20.16 per A Share
- (iii) Validity period: 2.5 years, 3.5 years and 4.5 years (depending on the weighted average exercise period of options vested in each period)
- (iv) Volatility rate: 32.20%, 30.71% and 28.66% (using the Company's volatility rate in the past 2.5 years, 3.5 years, and 4.5 years)
- (v) Risk-free interest rates: 2.94%, 3.02% and 3.09% (using the 2.5-year, 3.5-year, and 4.5-year benchmark deposit interest rate of government bonds)
- (vi) Expected dividend yield: 2.03% (using the Company's average dividend yield in the past three years)

Report of the Board of Directors

(2) Accounting policies in relation to share options

According to the Accounting Standards for Business Enterprises No. 11 – Share-based Payments, the Company will measure and account for the cost of the Company's Option Incentive Scheme as per the following accounting methods:

- (i) Grant Date
As share options are not exercisable on the Grant Date, accounting treatment is not required. The Company shall determine the fair value of the share options on the Grant Date.
- (ii) Vesting period
On each balance sheet date during the vesting period, the services obtained in the current period shall, based on the best estimate of the number of the exercisable share options, be included in cost of the relevant assets or expenses and the other capital reserves in capital reserves at the fair value of the share options on the Grant Date.
- (iii) Exercise period
No adjustment shall be made to the relevant costs or expense, and the total amount of the owner's equities, which have been recognized.
- (iv) Exercise date
Share capital and share premium shall be recognized with reference to the actual exercise of the share options, and upon which, the amount recognized as "Capital Reserves – Other capital reserves" during the vesting period shall be transferred to "Capital Reserves – Capital premium".

11. WEIGHTED AVERAGE NUMBER OF GRANTED SHARE OPTIONS

During the Reporting Period, 10,667,525 A shares in respect of all share option incentive schemes of the Company can be issued, representing 0.383% of the weighted average number of A shares issued during the Reporting Period.

RIGHTS OF DIRECTORS AND SUPERVISORS TO SUBSCRIBE FOR SHARES OF THE COMPANY

The Company does not grant any right to any director, supervisor or his/her spouse or children of less than 18 years old to subscribe for any share or bonds of the Company (including its affiliates). Save as disclosed above, for the year ended on 31 December 2024, the Company has not entered into any equity-linked agreement.

PERMITTED INDEMNITY PROVISIONS APPROVED FOR DIRECTORS AND SUPERVISORS

The Company has appropriate insurance arrangement for proceedings against Directors, Supervisors and senior management due to corporate activities in accordance with code provision C.1.8. As of the end of Reporting Period, the insurance provision remains effective.

PURCHASE, SALES AND REDEMPTION OF SHARES

During the period from January to December 2024, none of the Company or its subsidiaries purchased, sold or redeemed any listed Shares of Shanghai Pharmaceuticals (including the sale of treasury shares). As of 31 December 2024, the Company does not hold any treasury shares.

ISSUANCE OF EQUITY SECURITIES

During the Reporting Period, 4,670,785 shares that have been exercised under the 2019 Option Incentive Scheme of the Company completed the share transfer registration and the Company issued 4,670,785 A shares accordingly. Save as disclosed above, the Company did not issue any equity securities during the Reporting Period.

PUBLIC FLOAT

As at 31 December 2024, the total share capital of the Company was 3,707,971,839 Shares (2,788,899,135 A Shares and 919,072,704 H Shares), including 2,855,263,443 Shares without trade restrictions (1,936,190,739 A Shares and 919,072,704 H Shares). During the Reporting Period and as at the date of this report, the Company has sufficient public float to meet the minimum public float requirements stipulated under the Securities Law of the People's Republic of China and the Hong Kong Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under Articles of Association or the applicable laws of the PRC in which the Company was incorporated.

Report of the Board of Directors

DISCLOSEABLE CONTINUING CONNECTED TRANSACTION UNDER THE HONG KONG LISTING RULES

Property Leasing Framework Agreement renewed between the Company and Shanghai Pharmaceutical (Group) and its subsidiaries

The Company approved the Proposal regarding the Renewal of Property Leasing Framework Agreement with Shanghai Pharmaceutical (Group) and the Daily Related Transactions/Continuing Connected Transactions at the fourth meeting of the eighth session of the Board held on 27 October 2023. On the same date, the Company (as the lessee) and Shanghai Pharmaceutical (Group) (as the lessor) entered into Property Leasing Framework Agreement in relation to provision of property leasing to the Group by Shanghai Pharmaceutical (Group) and its subsidiaries. The term of lease is three years commencing from 1 January 2024 and ending on 31 December 2026. The annual caps of continuing connected transactions for 2024, 2025 and 2026 under this agreement were RMB100 million, respectively. The annual caps of the total value of the use right assets involved were RMB220 million, respectively.

In 2024, the actual amount of the continuing connected transaction between the Group and Shanghai Pharmaceutical (Group) and its subsidiaries under the Property Leasing Framework Agreement did not exceed the above-mentioned maximum amount approved by the Board, and the highest applicable percentage ratio corresponding to the actual amount was higher than 0.1% but less than 5%. Therefore, the transaction shall be subject to the reporting, annual review and announcement requirements and is exempt from the approval of the independent shareholders (as defined under Chapter 14A of the Hong Kong Listing Rules, the same below). Details are as follows:

Unit: RMB0'000

Date of transaction	Party of connected transaction	Types of connected transaction	Subject of connected transaction	Actual amount of the 2024 connected transaction	Annual cap for the 2024 connected transaction
During the period from January to December 2024	Shanghai Pharmaceutical (Group) and its subsidiaries	Leasing premises and production equipment from connected persons	Housing, machinery leasing and property service	3,479.70	10,000.00
		Leasing premises and production equipment from connected persons	The value of the use right assets involved	1,735.11	22,000.00

Note: For details, please refer to Company's announcement dated 28 October 2023 in relation to entering into the Property leasing Framework Agreement (A share announcement Lin No. 2023-084). As Shanghai Pharmaceutical (Group) is the Controlling Shareholder of the Company, Shanghai Pharmaceutical (Group) and its subsidiaries are connected persons of the Company, and the transaction constitutes a continuing connected transaction (as defined under Chapter 14A of the Hong Kong Listing Rules, the same as below).

Financial Services Agreement renewed between the Company and Shanghai Shangshi Group Finance Co., Ltd. (the “Finance Company”)

The Company approved the Proposal regarding the Renewal of Financial Services Agreement with Shanghai Shangshi Group Finance Co., Ltd. and Daily Related Transactions/Continuing Connected Transactions at the 2021 annual general meeting held on 30 June 2022. The agreement is effective from the date of the 2021 annual general meeting to 31 December 2024. During the term of the agreement, the maximum daily balance of deposits of the Group with the Finance Company from the date of the 2021 annual general meeting to 31 December 2022 and for the years ended 31 December 2023 and 31 December 2024, shall not exceed RMB4.0 billion, RMB4.5 billion and RMB5.0 billion, respectively, and the maximum outstanding balance of comprehensive credit facilities provided to the Group by the Finance Company shall not exceed RMB6.0 billion.

In 2024, the actual amount of continuing connected transactions between the Group and the Finance Company under the Financial Services Agreement did not exceed the above-mentioned maximum amount approved by the annual general meeting, and the highest applicable percentage ratio corresponding to the actual amount of deposit service was higher than 5%. Therefore, the transaction shall be subject to reporting, annual review, announcement and independent shareholders’ approval requirements. Actual loan services were conducted on normal business terms, and the Group did not grant any of its assets to the Finance Company as securities for such loan services; the highest applicable percentage ratio for actual settlement and financial services provided by connected company, calculated on an annual basis, were less than 0.1%. Details are as below:

Unit: RMB100 million

Date of transaction	Party of connected transaction	Types of connected transaction	Subject of connected transaction	Actual amount of the 2024 connected transaction	Annual cap for the 2024 connected transaction
During the period from January to December 2024	Finance Company	Deposit service provided by connected company	Deposit service (maximum daily balance)	47.71	50

Note: For details, please refer to Company’s announcement dated 30 March 2022 in relation to the renewal of financial services agreement and the Company’s announcement dated 1 July 2022 in relation to poll results of general meetings (A share announcements Lin No. 2022-027, 053); as the Company holds 30% of the equity interests in the Finance Company, and the shareholding in Finance Company by Shanghai Shangshi, the Controlling Shareholder of the Company, is more than 10%, the Finance Company is a commonly held entity and connected person of the Company. This transaction constitutes a continuing connected transaction.

Report of the Board of Directors

Procurement Framework Agreement entered into between the Company and Wing Fat Printing Co., Ltd. (“Wing Fat Printing”)

The Company approved the Proposal regarding the Renewal of Procurement Framework Agreement and the Daily Related Transactions/Continuing Connected Transactions with Wing Fat Printing Co., Ltd. at the fourth meeting of the eighth session of the Board of Directors held on 27 October 2023 and entered into the Procurement Framework Agreement with Wing Fat Printing with a valid term from 1 January 2024 to 31 December 2024. During the term of the agreement, the Wing Fat Group will provide printed packaging materials for pharmaceutical products to the Group with an annual cap of RMB90 million for the purchase amount.

In 2024, as the actual amount of continuing connected transactions between the Group and Wing Fat Group under the Procurement Framework Agreement did not exceed the aforementioned maximum amount approved by the Board, and the maximum applicable percentage ratio of the actual amount exceeded 0.1% but was less than 5%, and was subject to the reporting, annual review and announcement requirements but exempt from independent shareholders’ approval requirement with details as below:

Unit: RMB100 million

Date of transaction	Party of connected transaction	Types of connected transaction	Subject of connected transaction	Actual amount of the 2024 connected transaction	Annual cap for the 2024 Connected transaction
During the period from January to December 2024	Wing Fat Printing Group	Procure the printed packaging materials from connected companies	Printed packaging materials	0.54	0.9

Note: For details, please refer to Company’s announcement dated 28 October 2023 in relation to entering into the Procurement Framework Agreement (A share announcement Lin No. 2023-083). As SIIC is the controlling shareholder of the Company as well as Shanghai Industrial, and Wing Fat Printing is an indirect non-wholly owned subsidiary of Shanghai Industrial, Wing Fat Printing is a connected person of the Company and such transaction constituted a continuing connected transaction.

Sales and Procurement Framework Agreement between the Company and Yunnan Baiyao

The Company approved the Proposal regarding the Renewal of Framework Agreement and the Daily Related Transactions/Continuing Connected Transactions with Yunnan Baiyao at the fifth meeting of the eighth session of the Board of Directors held on 21 December 2023 and entered into the Sales and Procurement Framework Agreement on 27 December 2023 with a valid term from 1 January 2024 to 31 December 2024. For the year ended 31 December 2024, the Group agrees to sell to Yunnan Baiyao the medicines, medical devices, health care products and food products that the Group produces or is the main distributor, with a cap of RMB1,200 million for the sales amount; and the Group agrees to procure from Yunnan Baiyao the medicines, medical devices, health care products and food products that it produces or is the main distributor, with a cap of RMB700 million for the purchase amount.

In 2024, the actual amount of continuing connected transaction between the Group and the Yunnan Baiyao under the Sales and Procurement Framework Agreement did not exceed the above-mentioned maximum amount approved by the Board, and the highest applicable percentage ratio corresponding to the actual amount was higher than 0.1% but less than 5%. Therefore, the transaction is only subject to reporting, annual review and announcement requirements, and is exempt from independent shareholders' approval requirements. Details are as follows:

Unit: RMB100 million

Date of transaction	Party of connected transaction	Types of connected transaction	Subject of connected transaction	Actual amount of the 2024 connected transaction	Annual cap for the 2024 connected transaction
During the period from January to December 2024	Yunnan Baiyao	Sell products to connected companies	Sell the medicines, medical devices, health care products and food products	7.28	12
		Purchase products from connected companies	Purchase the medicines, medical devices, health care products and food products	4.74	7

Note: For details, please refer to Company's announcement dated 22 December 2023 in relation to entering into the 2024 Sales and Procurement Framework Agreement (A share announcement Lin No. 2023-098). Yunnan Baiyao is a substantial shareholder of the Company, therefore, Yunnan Baiyao is a connected person of the Company and such transaction constitutes a continuing connected transaction.

Report of the Board of Directors

CONFIRMATION OF CONTINUING CONNECTED TRANSACTIONS

The directors of the Company (including independent non-executive directors) have reviewed the foregoing continuing connected transactions, and confirm that the foregoing continuing connected transactions are:

- entered into during ordinary course of business of the Group;
- entered into on normal commercial terms or better; and
- conducted in compliance with the relevant agreements, and are fair and reasonable and in the interest of the Company and the shareholders as a whole.

Auditor of the Company has submitted an independent auditor's assurance report on continuing connected transactions to the board of directors for continuing connected transactions pursuant to Rule 14A.56 of the Hong Kong Listing Rules, and confirmed that the foregoing continuing connected transactions:

- no transactions were entered into without approval of the board of directors of the Company;
- no transactions that involved the provision goods of or services by the Group were entered into without in compliance with pricing policies of the Group;
- no transactions were entered into without in compliance with relevant agreements in all material respects; and
- no transactions exceeded caps.

OTHER CONNECTED TRANSACTION DISCLOSEABLE UNDER THE HONG KONG LISTING RULES

Participation in the Establishment of Shanghai Shangshi Biomedical Phase II Venture Capital Partnership (Limited Partnership) (上海上實生物醫藥二期創業投資合夥企業(有限合夥))

The Company approved the Proposal regarding Proposed Participation in the Establishment of Shanghai Shangshi Biomedical Phase II Venture Capital Partnership (Limited Partnership) (上海上實生物醫藥二期創業投資合夥企業(有限合夥)) at the 14th meeting of the eighth session of the Board of Directors held on 29 October 2024. On 31 December 2024, Shanghai Biomedical Frontier Industry Innovation Center, a subsidiary of the Company, entered into the Partnership Agreement in respect of the participation in the establishment of the Shanghai Shangshi Biomedical Phase II Venture Capital Partnership (Limited Partnership) (上海上實生物醫藥二期創業投資合夥企業(有限合夥)) (the “**Target Fund**”), pursuant to which, Shanghai Biomedical Frontier Industry Innovation Center (as a limited partner), Shanghai Guofu Navigation Investment Partnership (Limited Partnership) (上海國孚領航投資合夥企業(有限合夥)) (as a limited partner), Shanghai Fengxian Biotechnology Park Development Co., Ltd. (上海奉賢生物科技園區開發有限公司) (as a limited partner), Shanghai Fengpu Industrial Co., Ltd. (上海奉浦實業有限公司) (as a limited partner), Shanghai Life Messenger Biotechnology Co., Ltd. (上海生命信使生物科技股份有限公司) (as a limited partner), Mr. Zheng Xiaodong (as a limited partner), Mr. Xiang Jinsheng (as a limited partner), Hunan Jiuwang Investment Co., Ltd. (湖南省九旺投資有限公司) (as a limited partner), Hainan Anyong Co., Ltd. (海南安永投資有限公司) (as a limited partner), Mr. Cao Hongguang (as a limited partner), Shanghai Shangshi Capital Management Co., Ltd. (上海上實資本管理有限公司) (“**Shangshi Capital**”) (as a general partner) and Shanghai Baishi Xincheng Enterprise Management Partnership (Limited Partnership) (上海柏實信呈企業管理合夥企業(有限合夥)) (“**GP2**”) (as a general partner) will subscribe for RMB250 million, RMB100 million, RMB40 million, RMB30 million, RMB30 million, RMB30 million, RMB3 million, RMB3 million, RMB2 million, RMB2 million, RMB5 million and RMB5 million of the capital commitment of the Target Fund, respectively. For details, please refer to Company’s announcement dated 30 October 2024 in relation to the proposed participation in the establishment of the Target Fund.

Shanghai Shangshi is a controlling shareholder of the Company. Shangshi Capital is a wholly-owned subsidiary of Shanghai Shangshi and GP2 is managed by its general partner Shangshi Capital. Therefore, Shangshi Capital and GP2 are connected persons of the Company by virtue of being the associates of the Company’s controlling shareholder. As such, according to Chapter 14A of the Listing Rules, the participation of Shanghai Biomedical Frontier Industry Innovation Center in the establishment of the Target Fund will constitute a connected transaction of the Company. As the highest applicable percentage ratio of the transaction contemplated under the Partnership Agreement is more than 0.1% but less than 5%, such transaction is subject to the reporting, annual review and announcement requirements but exempt from circular and the independent shareholders’ approval requirement.

Report of the Board of Directors

SIGNIFICANT RELATED PARTIES

Please refer to note (7) 5 to the financial statements for the information on related party transactions of the Group. The transactions that constitute related party transactions under Chapter 14A of the Hong Kong Listing Rules have been disclosed in the “Discloseable Continuing Connected Transaction under the Hong Kong Listing Rules” section above and have complied with the provisions of Chapter 14A of the Hong Kong Listing Rules. Except as disclosed above, other related party transactions do not constitute connected transactions under Chapter 14A of the Hong Kong Listing Rules.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Refer to the “2024 Corporate Social Responsibility Report of Shanghai Pharmaceuticals Holding Co., Ltd.” disclosed by the Company for details.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group is fully aware of the importance of compliance with the requirements of laws and regulations and sets internal compliance and risk management policies and procedures in place to ensure that the Group complies and is in compliance with all material and applicable laws and regulations in the PRC and Hong Kong. For the year ended 31 December 2024 and up to the date of this report, to the best of the Directors’ knowledge, the Group has complied in all material respects with the applicable laws and regulations of the PRC and Hong Kong, which have a significant impact on the business and operations in areas including the Group’s principal activities, employment and labor practices and environmental protection. The Group has also obtained all licenses, approvals and permits from the relevant regulatory authorities which are material to its business operations in the PRC.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND OTHER STAKEHOLDERS

The Group believes that different stakeholders (including employees, customers and suppliers) are the key to the success of the Group. The Group is committed to the realization of corporate sustainable development through maintaining contact and cooperation and fostering stable relationship with the stakeholders.

RELEVANT INFORMATION OF THE CORPORATE BONDS

During the year ended 31 December 2024, the Company has not issued, repurchased, sold or redeemed bonds.

CAPITAL STRUCTURE AND LIQUIDITY

The asset-liability ratio (total liabilities/total assets) of Shanghai Pharmaceuticals was 62.14% as at 31 December 2024, representing an increase of 0.03 percentage point on a year-on-year basis. The interest coverage ratio (EBIT/Interest Expenses) was 5.32 times (2023: 4.74 times). The gearing ratio of the Company (net amount of debts divided by total capital) was 21.40%.

During the Reporting Period, Shanghai Pharmaceuticals has a good liquidity. The balance of bank loans, bonds payable and extra short-term financing bill as at 31 December 2024 were RMB46.587 billion, nil and RMB6.032 billion, respectively, of which the balance of loans in US Dollar amounted to RMB0.392 billion, the balance of loans in AUD amounted to RMB0.270 billion, the balance of loans (including long and short-term bonds) at a fixed interest rate amounted to approximately RMB50.186 billion. The net amount of accounts receivable and notes receivable as at 31 December 2024 was RMB80.251 billion, representing an increase of 7.23% on a year-on-year basis. The increased receivable is mainly due to business expansion and the expanded scope of consolidation. As at 31 December 2024, the balance of accounts payable and notes payable was RMB59.483 billion, representing an increase of 8.88% on a year-on-year basis.

The Group's objective on capital management is to safeguard the Group's ability to continue as a going concern and provide returns for shareholders and benefits for other stakeholders, and also to maintain an optimal capital structure to lower capital cost. In order to maintain or adjust capital structure, the Group may adjust dividends amount payable to shareholders, return capital to shareholders, issue new share or dispose assets to reduce debts.

Report of the Board of Directors

MAJOR ASSETS RESTRICTION AT THE END OF THE REPORTING PERIOD

As at 31 December 2024, the balance of the Group's other monetary funds was RMB3,863 million, which was mainly the margin deposit for security for applying to the bank for issuing bank acceptance bills and letters of credit.

As at 31 December 2024, houses, buildings, machinery and equipment with a book value of RMB1,536 million (original price: RMB1,601 million) and land use rights of 563,500 square meters (original price: RMB565 million, book value: RMB525 million) were used as collateral for RMB201 million of short-term borrowings, RMB1,226 million of long-term borrowings, and RMB1 million of current portion of long-term borrowings.

As at 31 December 2024, the bank pledged borrowings of RMB740 million were short-term borrowings obtained by discounting commercial acceptance bills of RMB15 million, the short-term borrowings obtained by discounting bank acceptance bills of RMB21 million and the short-term borrowings obtained by using the accounts receivable with book value of RMB724 million as collaterals.

As at 31 December 2024, the Group pledged the accounts receivable with the book value of RMB104 million to the bank as a guarantee for long-term borrowings of RMB37 million and long-term borrowings due within one year of RMB142 million.

As at 31 December 2024, guaranteed borrowings of RMB156 million were mainly secured by the minority shareholders of subsidiaries of the Group.

EXCHANGE RATE FLUCTUATION RISK AND ANY HEDGING

Shanghai Pharmaceuticals conducts its operations mainly in China and makes settlements in RMB for its principal businesses. However, foreign exchange risks still exist in recognized assets and liabilities denominated in foreign currencies and future foreign currency transactions (the main currencies denominating are US dollar and Hong Kong dollar).

CONTINGENT LIABILITIES

During the Reporting Period, the Company has no major action or arbitration pending to be closed. There were no contingent liabilities resulting from debt guarantee provided by the Company to other entities and guarantee provided to related parties.

GUARANTEES

Unit: RMB

External guarantees provided by the Company (excluding those provided to its subsidiaries)														
Guarantor	Relationship between the guarantor and the listed company	Guaranteed party	Value of guarantee	Date of guarantee			Type of guarantee	Collateral (if any)	Guarantee fully fulfilled	Guarantee overdue	Overdue amount of guarantee	Any counter guarantee	Guarantee provided to related parties	Connected relationship
				(date of agreement)	Commencement date of guarantee	Expiry date of guarantee								
Shanghai Pharmaceutical Co., Ltd.	Wholly-owned subsidiary	Chongqing Medicines Shanghai Pharma Sales Co., Ltd.	4,892,783.40		2023.07.26	2024.01.26	Joint guarantee	Yes	No		Nil	No	Associate	
Shanghai Pharmaceutical Co., Ltd.	Wholly-owned subsidiary	Chongqing Medicines Shanghai Pharma Sales Co., Ltd.	2,571,009.90		2023.08.10	2024.02.10	Joint guarantee	Yes	No		Nil	No	Associate	
Shanghai Pharmaceutical Co., Ltd.	Wholly-owned subsidiary	Chongqing Medicines Shanghai Pharma Sales Co., Ltd.	3,329,784.34		2023.07.26	2024.01.26	Joint guarantee	Yes	No		Nil	No	Associate	
Total value guaranteed during the Reporting Period (excluding those provided to its subsidiaries)													-	
Total remaining balance guaranteed at the end of the Reporting Period (A) (excluding those provided to its subsidiaries)													-	
Guarantees provided by the Company and its subsidiaries to its subsidiaries														
Total value guaranteed for its subsidiaries during the Reporting Period													6,989,561,907.63	
Total remaining balance guaranteed for its subsidiaries at the end of the Reporting Period (B)													1,827,006,650.81	
Total value guaranteed by the Company (including guarantees to subsidiaries)														
Total value guaranteed (A+B)													1,827,006,650.81	
Proportion of total value guaranteed in the Company's net assets (%)													2.55%	
Among which:														
Value guaranteed for shareholders, de facto controller and related parties (C)														
Value directly or indirectly guaranteed for guaranteed parties whose gearing ratio exceeds 70% (D)													1,186,987,530.85	
Amount of total value guaranteed exceeding 50% of net assets (E)														
Total of value guaranteed for the above three items (C+D+E)													1,186,987,530.85	
Details of possible joint settlement liabilities for undue guarantee													/	
Details of guarantee													/	

Report of the Board of Directors

EMPLOYEES OF PARENT COMPANY AND MAJOR SUBSIDIARIES

Number of in-service employees of the parent company	179
Number of in-service employees of the major subsidiaries	49,223
Total number of in-service employees	49,402
The number of retired employees whose expenses are borne by the parent company and the major subsidiaries	205

Composition of professions

Type of profession	Number of staff in the profession
Production staff	15,152
Sales staff	19,370
Technical staff	7,522
Finance staff	2,036
Administrative staff	4,140
Other service staff	1,182
Total	49,402

Education level

Type of Education Level	Number of persons
PhD	180
Master	2,336
University graduate	16,730
College graduate	14,595
Specialized secondary school (high school and technical school) graduate	8,739
Others	6,822
Total	49,402

REMUNERATION POLICY

The Company adhered to the payment concept of “Position, Ability, Performance and Market” which improved annual and term performance evaluation system of senior management of the Company and management of the subsidiaries, with upgraded performance-based incentive and restraint mechanism. The Company constructed differentiated remuneration systems for management staff, marketing staff, R&D staff, technical quality management staff and production staff with reasonable docking between the various remuneration systems, so as to effectively motivate the employees and stimulate their creativity, continually improve the Company’s business results and enhance the achievement of the Company’s strategic goals. The Company carried out market research or remuneration, improving the staff revenue growth and underpinning mechanisms related to the Company’s operating performance, so that employees can share the achievements of enterprise development.

The remuneration and compensation package of the employees generally includes salary, allowance and bonus, as well as pension, medical insurance, housing fund, work-related injury insurance and other benefits from the Company. The Company participates in various employee welfare schemes, such as pension, medical insurance, housing fund, maternity and unemployment insurance organized by the provincial and municipal governments in accordance with the relevant regulations of China. Moreover, the Company establishes the supplementary pension system and improves the corporate welfare system, which will enhance the cohesion and competitiveness of the Group.

FIVE HIGHEST PAID INDIVIDUALS

Details of five highest paid individuals of the Group set out in the note (7) 8 of financial statements.

In 2024, no emoluments have been paid by Shanghai Pharmaceuticals to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office and there is no director waived or agreed to waive any of their emoluments.

PENSION SCHEME

Shanghai Pharmaceuticals participates in a pension benefits scheme for employees organised by the local provincial and municipal governments in accordance with the relevant requirements of the PRC and pays pension contributions for all employees on a monthly basis. Retired employees are entitled to receive a monthly pension from the local provincial and municipal governments. Details are set out in note (4) 31 of financial statements.

TRAINING PROGRAM

Focusing on the Group's strategy and the annual priorities, combined with the staff's own positions and career development needs, the Company provided professional, efficient and personalized training courses and learning programs for the staff. According to the requirements of the national regulatory authorities, the Company organized employees to receive GMP, GSP, operation skills, occupational safety, environmental protection and other systematic training every year. According to the requirements for the compliance of listed companies, the Company organized management at all levels to receive legal, internal control, risk management and other special training. In order to improve the integrated management level and leadership ability, the Group organized and carried out trainings on cadre and talents development project, business line empowerment and specialty improvements in the combination of online and offline, to facilitate the high-quality development of the Group.

In 2024, Shanghai Pharma University carried out 25 types of programs in total and 141 classes by closely focusing on the strategic planning and layout of the Group and closely combining with the key work of business departments, and a total of more than 100,000 people were trained. The digital learning platform "Shanghai Pharma E-School" was put into full use within the Group, and more than 10,000 programs and more than 5,000 courses were released, which has become an important support for offline learning. In terms of training of talents and cadres, in 2024, the full coverage of new employee training was achieved for the first time in the form of main/sub-meeting place, with a total of more than 2,700 participants. In terms of professional line empowerment, Shanghai Pharma University cooperated with more than 10 functional lines such as manufacturing and safety and environmental protection to carry out training on safety for all employees, training courses for high-quality potential talents, VSM value stream workshop and other trainings to empower the development needs of related business lines. In terms of special ability improvement, Shanghai Pharma University conducted special compliance improvement trainings-a series of courses on marketing for many times this year, vigorously promoting the compliance concept. In addition, Shanghai Pharma University launched micro courses to popularize pharmaceutical knowledge, consolidated the pharmaceutical knowledge reserve of the Group's employees, and comprehensively strengthened the construction of a learning organization.

CHANGES IN AUDITORS FOR PAST THREE YEARS

PricewaterhouseCoopers Zhong Tian LLP has reached the maximum term for a company to engage the same accounting firm consecutively as required by the regulations. Therefore, the Company changed its accounting firm for the year 2024, and appointed Deloitte Touche Tohmatsu Certified Public Accountants LLP as the Company's auditor of financial statements and internal control for the year 2024. The relevant matters were considered and approved as the general meeting. For details, please refer to the announcement dated 28 June 2024 (A share announcement Lin No. 2024-059).

The Company has fully communicated with PwC Zhong Tian, the previously appointed accounting firm, on the matters in relation to the change the accounting firm, and it had no objections to the change. The Company expressed its sincere gratitude to PwC Zhong Tian for providing professional, rigorous and responsible audit services to the Company and diligent work for several years. The predecessor and successor accounting firm will actively communicate and cooperate their work in accordance with the Auditing Standard for Certified Public Accountants of China No. 1153 – Communication between Predecessor and Successor Certified Public Accountants (《中國註冊會計師審計準則第1153號—前任註冊會計師和後任註冊會計師的溝通》) and other relevant requirements.

COMMITMENTS BY DE FACTO CONTROLLER AND SHAREHOLDERS, OF THE COMPANY AND OTHER COMMITMENTS RELATED PARTIES DURING OR CARRY FORWARD TO THE REPORTING PERIOD

Pursuant to the Hong Kong Prospectus of 6 May 2011, each of Shanghai Pharmaceutical (Group) and SIIC executed a non-competition deed in favour of the Company, undertaking, among other things, that:

1. in the event it acquires, procures or otherwise comes to possess businesses or assets that compete or could potentially compete with the businesses of the Company, it shall, pursuant to its non-competition deed, irrevocably grant the Company the pre-emptive right to acquire all of such businesses or assets at any time;
2. it and its subsidiaries shall avoid any business or operations that may compete with the Company;
3. it shall avoid investing in any other companies or enterprises that compete with the business and operations of the Company; and
4. it shall bear all losses and expenses directly and indirectly incurred by the Company as a result of a breach by it of its undertakings set forth in its non-competition deed.

The Company has received the respective statements of Shanghai Pharmaceutical (Group) and SIIC confirming their compliance with their commitments pursuant to the respective non-competition deeds during the year 2024.

Directors, Supervisors and Senior Management

CHANGES IN SHAREHOLDINGS AND REMUNERATION OF EXISTING AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

Unit: Share

Name	Position	Gender	Age	Starting date of term of office	Expiry date of term of office	Number of Shares held at the beginning of the year	Number of Shares held at the end of the year	Increase/Decrease of Shares during the year	Total Remuneration payable by the Company during the Reporting Period (before tax) (RMB10,000) ^{Note 1}	Whether obtained salary from connected parties of the Company
Yang Qihua	Chairman, Executive Director	Male	53	2024-03-19	Expiry date of the term of the 8th session of the Board of Directors	0	0	0	0	Yes
Zhang Wenxue	Non-Executive Director	Male	62	2024-06-28	Expiry date of the term of the 8th session of the Board of Directors	0	0	0	0	No
Shen Bo	Executive Director, President, Chief Financial Officer	Male	52	2016-06-28	Expiry date of the term of the 8th session of the Board of Directors	71,700 A shares	71,700 A shares ^{Note 2}	0	305.4	No
Li Yongzhong	Executive Director, Executive President	Male	55	2016-06-28	Expiry date of the term of the 8th session of the Board of Directors	0	0 ^{Note 3}	0	275.39	No
Dong Ming	Executive Director	Male	49	2023-06-29	Expiry date of the term of the 8th session of the Board of Directors	0	0	0	0	Yes
Gu Zhaoyang	Independent Non-Executive Director	Male	59	2019-06-27	Expiry date of the term of the 8th session of the Board of Directors	0	0	0	30.00	No
Fok Manson	Independent Non-Executive Director	Male	68	2019-06-27	Expiry date of the term of the 8th session of the Board of Directors	0	0	0	30.00	No
Wang Zhong	Independent Non-Executive Director	Male	56	2023-06-29	Expiry date of the term of the 8th session of the Board of Directors	0	0	0	30.00	No
Man Kwan	Independent Non-Executive Director	Female	58	2025-03-13	Expiry date of the term of the 8th session of the Board of Directors	0	0	0	0	No
Xu Youli	Chief Supervisor	Male	51	2016-06-28	Expiry date of the term of the 8th session of the Board of Directors	0	0	0	0	Yes
Yu Weidong	Employee Supervisor	Male	54	2023-06-29	Expiry date of the term of the 8th session of the Board of Directors	0	0	0	0	Yes
Ma Jia	Supervisor	Male	48	2023-06-29	Expiry date of the term of the 8th session of the Board of Directors	0	0	0	0	Yes
Zhao Yong	Vice President	Male	53	2019-06-27	Expiry date of the term of the 8th session of the Board of Directors	0	0	0	216.99	No
Mao Jianyi	Vice President	Male	57	2013-11-19	Expiry date of the term of the 8th session of the Board of Directors	0	0	0	215.11	No

Directors, Supervisors and Senior Management

Name	Position	Gender	Age	Starting date of term of office	Expiry date of term of office	Number of Shares held at the beginning of the year	Number of Shares held at the end of the year	Increase/Decrease of Shares during the year	Total Remuneration payable by the Company during the Reporting Period (before tax)	Whether obtained salary from parties of the Company
									(RMB10,000) ^{Note 1}	
Zhong Tao	Vice President, Secretary to the Board of Directors, Joint Company Secretary	Male	53	2022-03-29 2022-08-29	Expiry date of the term of the 8th session of the Board of Directors	0	0	0	203.73	No
Li Dongming	Vice President	Male	56	2022-03-29	Expiry date of the term of the 8th session of the Board of Directors	0	0	0	195.70	No
Shao Shuai	Vice President	Female	37	2022-08-29	Expiry date of the term of the 8th session of the Board of Directors	0	0	0	182.56	No
Maimaiti Aili	Vice President	Male	46	2024-11-05	Expiry date of the term of the 8th session of the Board of Directors	0	0	0	18.24	No
Yao Jiayong (resigned)	Vice Chairman, Non-Executive Director	Male	59	2023-06-29	2024-03-19	0	0	0	0	Yes
Chen Fashu (resigned)	Non-Executive Director	Male	65	2023-06-29	2024-05-27	0	0	0	0	Yes
Zhang Yaohua (resigned)	Vice President	Male	52	2017-06-15	2024-08-05	40,000 A shares	40,000 A shares	0	93.05	No
Total ^{Note 4}	/	/	/	/	/	111,700 A shares	111,700 A shares	0	1,796.17	/

Note 1: The total remuneration payable by the Company during the Reporting Period (before tax) shall be received by the directors, supervisors and senior management during their term of office.

Note 2: As at the end of the Reporting Period, Mr. Shen Bo also had an interest in 132,600 underlying A Shares of the Company in respect of the share options granted under the share option scheme of the Company.

Note 3: As at the end of the Reporting Period, Mr. Li Yongzhong also had an interest in 132,600 underlying A Shares of the Company in respect of the share options granted under the share option scheme of the Company.

Note 4: As at the end of the Reporting Period, for details of the share options of others in the above table obtained under the share option scheme of the Company, please refer to the section headed "share option scheme" above.

Directors, Supervisors and Senior Management

BIOGRAPHICAL DETAILS OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Yang Qihua

Mr. Yang Qihua has obtained a master's degree in Pharmaceutical Engineering from East China University of Science and Technology. He is a senior engineer. He currently is the chairman and executive director of the Company. Mr. Yang Qihua currently serves as the vice president of Shanghai Industrial Investment (Holdings) Co., Ltd. and the chairman of Shanghai Pharmaceutical (Group) Co., Ltd.. Mr. Yang Qihua has extensive experience in corporate management. He has served as the secretary to the Party Committee and general manager of Shanghai Sunve Pharmaceutical Co., Ltd. (上海三維製藥有限公司), the vice chairman and general manager of SIIIC Investment Company Limited, the chairman of The Tien Chu (Hong Kong) Company Limited, the vice president of SIIIC Investment (Shanghai) Co., Ltd., the chairman of Nanyang Brothers Tobacco Co., Ltd., the chairman of Wing Fat Printing Company, Limited. and the vice CEO of Shanghai Industrial Holdings Limited, etc.

Zhang Wenxue

Mr. Zhang Wenxue is a senior economist. He is currently the non-executive director of the Company. Mr. Zhang Wenxue is currently the secretary of the Party Committee and chairman of Yunnan Baiyao Group Co., Ltd. (雲南白藥集團股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange with stock code of 000538. He successively acted as a member of the 10th session of the Committee of the Communist Party of China in Yunnan Province and a member of the 12th session of the Committee of the Chinese People's Political Consultative Conference in Yunnan Province. Mr. Zhang was successively awarded the 19th Model Worker of Yunnan Province, Professional and Technical Talent with Outstanding Contributions in Yunnan Province, the second prize of the State Scientific Progress Award, and the Medal in Commemoration of the 70th Anniversary of the People's Republic of China issued by the Central Committee of the Communist Party of China, the State Council, and the Central Military Commission in 2019, and was also selected as the "National Outstanding Entrepreneurs of the Year 2021-2022" and the "Innovative Entrepreneur for 2024 Manufacturing Industry Talent Support Program of the Ministry of Industry and Information Technology". Mr. Zhang successively served as deputy general manager of Yunnan Phosphorus Chemical Industry (Group) Company (雲南磷化學工業(集團)公司), general manager and deputy secretary of the Party Committee of Yunnan Phosphorus Chemicals Group Co., Ltd. (雲南磷化集團有限公司), secretary of the Party Committee and general manager of Yunnan Phosphorus Chemicals Group Co., Ltd., director, deputy general manager and member of the Party Committee of Yuntianhua Group Co., Ltd. (雲天化集團有限責任公司), general manager, deputy secretary of the Party Committee and vice chairman of Yuntianhua Group Co., Ltd., secretary of the Party Committee and chairman of Yuntianhua Group Co., Ltd., and the chairman of Chongqing Polycomp International Corporation (重慶國際複合材料股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange with stock code of 301526.

Shen Bo

Mr. Shen Bo obtained a master degree in professional accountancy from Chinese University of Hong Kong and is a Chinese Certified Public Accountant. He is currently the executive director, president and chief financial officer of the Company, and holds directorships in subsidiaries of the Company. Mr. Shen Bo currently serves as the non-executive director of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (a company listed on the Hong Kong Stock Exchange and the science and technology innovation board of the Shanghai Stock Exchange with stock codes 01349 and 688505, respectively). His previous positions included the non-executive director of Tianda Pharmaceuticals Limited (a company listed on the Hong Kong Stock Exchange) (stock code 00455), the general manager of the finance department of Shanghai Pharmaceutical (Group) Co., Ltd., the chief financial officer of Shanghai Industrial Pharmaceutical Investment Co., Ltd. and the deputy general manager of the finance department of Shanghai Jinling Co., Ltd., etc.

Li Yongzhong

Mr. Li Yongzhong obtained an executive master degree in business administration from the China Europe International Business School. He is qualified as a pharmacist. He is currently the executive director and executive president of the Company and the chairman and the general manager of Shanghai Pharmaceutical Co., Ltd., a subsidiary of the Company. He also holds directorship in other subsidiaries of the Company. His previous positions included general manager assistant and deputy general manager of, general manager and deputy general manager of pharmaceutical distribution business department of Shanghai Pharmaceutical Co., Ltd. and deputy manager of the New Drug Branch of Shanghai Pharmaceutical Co., Ltd., etc.

Dong Ming

Mr. Dong Ming has obtained a bachelor's degree and is now studying as a doctor majoring in management. He is currently the executive director of the Company. He is the legal representative, the vice chairman, the chief executive officer and the president of Yunnan Baiyao Group Co., Ltd. (a company listed on the Shenzhen Stock Exchange with stock code 000538), and the executive director and chairman of YNBY International Limited (stock code: 00030), a company listed on The Stock Exchange of Hong Kong Limited. He successively served as the vice president of Commonwealth of Independent States region, the director of the VIP systems department, the general manager of the Beijing branch, the director of the mobile system department of Huawei Technologies Co., Ltd., and the vice president of China region in Huawei Technologies Co., Ltd..

Gu Zhaoyang

Mr. Gu Zhaoyang obtained a B.A. degree in English from Tsinghua University, an M.A. degree in Management from Renmin University of China, and a M.A. degree in Economics and Ph.D. degree in Accounting from Tulane University U.S.A. He is a CPA (non-practicing) in the U.S.A. He is currently an independent non-executive director of the Company. He is also an independent non-executive director of Jiangsu Expressway Company Limited (江蘇寧滬高速公路股份有限公司, a company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange with stock codes 00177 and 600377, respectively), Bank of Tianjin CO., LTD. (天津銀行股份有限公司, a company listed on the Hong Kong Stock Exchange with stock codes 01578), Luda Technologies Group Ltd. (a company listed on the NYSE) and X.J.ELECTRICS (Hu Bei) Co.,Ltd. (湖北香江電器股份有限公司) and a Professor of Accountancy and the director of the MBA Program in Finance at the Chinese University of Hong Kong (CUHK). Previously he was an Assistant and Associate Professor at Carnegie Mellon University, and an Associate Professor and Honeywell Professor in Accounting at the Carlson School of Management, University of Minnesota, where he was also the person in charge of the Accounting Ph.D. program. He is the dean of the School of Accountancy at the Chinese University of Hong Kong (CUHK).

Directors, Supervisors and Senior Management

Fok Manson

Mr. Fok Manson is a Bachelor of Medicine and Bachelor of Surgery, a Fellow of the Royal College of Surgeons of Edinburgh, United Kingdom, a Fellow of the Hong Kong College of Surgeons, and a Fellow of the Hong Kong Academy of Medicine (Surgery). He is currently an independent non-executive director of the Company and an independent director of Tianjin Pharmaceutical Co., Ltd. (津藥藥業股份有限公司, stock code: 600488) listed on the Shanghai Stock Exchange. Mr. Fok Manson has been committed to the study of esophagus and upper gastrointestinal diseases and vascular diseases for many years, actively promoting the development of minimally invasive surgery, and has published many articles on international medicine and written chapters of over 10 professional books. Currently, he serves as the Dean of Faculty of Medicine of the Macau University of Science and Technology (MUST), the Dean and the chairman of the board of directors of the MUST Hospital. He also holds key positions in various foundations, professional committees and medical associations, and is a visiting professor at many well-known institutions in China. He previously served as the vice chairman of the Endoscopy Skills Evaluation Committee of the Ministry of Health of China, the executive deputy director and the head of the Surgical Department of the Kiang Wu Hospital of Macau, a doctor of the Hong Kong Tung Wah Hospital and a senior lecturer of the Queen Mary Hospital of Hong Kong, etc.

Wang Zhong

Mr. Wang Zhong holds a master's degree of science awarded by the Hong Kong Polytechnic University and has the title of research fellow. He is the independent non-executive director of the Company. He is currently the executive director of the National Intelligent Sensor Innovation Center and an independent director of Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd., a company listed on the Shanghai Stock Exchange with stock codes of 600663 and 900932. He served as the general manager of the human resources department and integrated department of Zhejiang Mobile Communication Company Limited, the deputy director of Zhejiang Branch of the China News Service, the chief executive officer of Greentown Real Estate Group Company Limited (綠城房地產集團有限公司), the vice chairman of China Youth Travel Industry (Group) Development Co., Ltd. (中國青旅實業(集團)發展有限公司), the director and vice president of Qingdao Zhongzi Zhongcheng Group Co., Ltd., an external director of Shanghai Guoxin Venture Capital Co., Ltd. (上海國鑫創業投資有限公司), the administrative vice principal of Shanghai Advanced Institution of Finance of Shanghai Jiao Tong University, etc.

Man Kwan

Ms. Man Kwan holds a Ph.D. from the University of Hong Kong. She is the independent non-executive director of the Company. She is currently a tenured professor at the University of Hong Kong, a chair professor of transplant oncology and immunology, the director of the clinical and translational laboratory, the director of the liver transplantation and liver cancer laboratory, and the director of the organ transplantation and regeneration laboratory at the University of Hong Kong. She also serves as the director of the central laboratory at the Shenzhen Hospital of the University of Hong Kong, the founder and director of Oncoimmunostics Limited (邁康因科技有限公司), the chairman of the Hong Kong Scientist Association, and the chairman of the Hong Kong Society for Immunology. Dr. Man Kwan mainly engages in clinical, translational, and basic research on liver transplantation injury, liver cancer, and tumor recurrence after liver transplantation. Her research achievements are at the international leading level in the relevant fields and she has published in over 200 papers in several internationally renowned journals. She has successively received the First Prize of Scientific and Technological Achievements in Higher Education (高等教育科技成果一等獎) from the Ministry of Education in 2013, the First Prize of Scientific and Technological Progress from the Chinese Medical Association (中華醫學會科技進步一等獎) in 2014, and the “2022 Basic Science Established Investigator Award” from the International Liver Transplantation Society. Her innovative translational achievements in precise tumor diagnosis and treatment have won the Gold Award at the 2024 Geneva Invention Exhibition and the Special Award from the China Association of Inventions (中國發明協會特別大獎). She has also served as the president of the International Liver Transplantation Society, a member of the Transplantation Science Committee, the chairman of the Scholarship Committee, a member of the Education Committee, and a member of the Basic Research Committee.

Xu Youli

Mr. Xu Youli obtained a bachelor degree in Economics from the University of Finance and Economics in Shanghai and a master degree of Business Administration degree from Fudan University. He is a senior economist, senior accountant, certified public accountant, corporation lawyer and an international certified internal auditor. Mr. Xu is currently the chief supervisor of the Company. Mr. Xu currently serves as the vice president, general legal advisor and chief financial officer of Shanghai Industrial Investment (Holdings) Co. Ltd., an executive director, vice president, and financial director of Shanghai Industrial Holdings Limited (a company listed on the Hong Kong Stock Exchange with stock Code 00363), and the chairman of Shanghai Shangshi Group Finance Co., Ltd.. He was previously a director of Shanghai Industrial Development Co., Ltd. (stock code 600748) and a manager of the supervision and audit department of East China Branch of China Huaneng Group.

Yu Weidong

Mr. Yu Weidong holds a master's degree. He is an employee supervisor of the Company. He currently serves as a member of the Party Committee and the secretary to the Disciplinary Committee of Shanghai Pharmaceutical (Group) Co., Ltd. and Shanghai Pharmaceuticals Holding Co., Ltd., respectively. Mr. Yu previously served as a deputy director of the discipline inspection and supervision office at Shanghai Industrial (Holdings) Co., Ltd., office director of Shanghai Pharmaceuticals Holding Co., Ltd., general manager, deputy secretary and secretary to the Party Committee of Shanghai Traditional Chinese Medicine Co., Ltd., director of Shanghai Pharmaceuticals Holding Co., Ltd., deputy general manager and general manager of the audit department of Shanghai Pharmaceuticals Holding Co., Ltd. and general manager of the audit department at Shanghai Industrial Pharmaceuticals Investment Co., Ltd., manager of the business department at Shanghai Vision International Financial Advisory Co., Ltd., deputy general manager of the finance department at Shanghai Tongda Energy Group Co., Ltd. and clerk at the audit department of Shandong Agricultural University, etc.

Directors, Supervisors and Senior Management

Ma Jia

Mr. Ma Jia has obtained a master's degree and is a supervisor of the Company. Since June 2022, he has been serving as the chief financial officer of Yunnan Baiyao Group Co., Ltd. (a company listed on the Shenzhen Stock Exchange with stock code 000538). Since June 2023, he has concurrently served as the executive director of Yunnan Baiyao Group (Hainan) Co., Ltd.. He successively served as the head of financial management department of Beijing Panasonic Lighting Source Co., Ltd., a chief financial officer of the subsidiary of the Commonwealth of Independent States region of Huawei Technologies Co., Ltd., manager of IFS changing project (China region), a chief financial officer of Shandong representative office, a chief financial officer of BG Group Operator of China region, and China regional chief financial officer/China regional administrative team member, responsible for ICT operation and management, risk control, sales and finance, tax, subsidiaries, and other financial business and economic organization construction of China region (excluding Hong Kong, Macao and Taiwan).

Zhao Yong

Mr. Zhao Yong obtained a master degree in Laws from the International Politics Department of Fudan University, and is a graduate of Advanced Business Administration from Cheung Kong Graduate School of Business. He currently serves as the deputy secretary to the Party Committee and vice president of the Company and the chairman of Shanghai Medical Education and Training Co., Ltd. (上海醫藥教育培訓有限公司). He previously served as the vice president of Shanghai Labway Clinical Laboratory Co., Ltd., vice president of Shanghai Labway Investment Co., Ltd., deputy director of Shanghai Municipal Health and Family Planning Commission, deputy director and secretary to the Disciplinary Committee of Shanghai Municipal Population and Family Planning Commission, a director of Informationization Committee of Shanghai Changning District, deputy secretary to the Party Work Committee and director of the Office of Xianxia Xincun Street of Shanghai Changning District.

Mao Jianyi

Mr. Mao Jianyi graduated from medical faculty of Shanghai Second Medical University, and obtained an MBA degree from Shanghai PCEC East Asia College and a Ph.D. in economics from Shanghai University of Finance and Economics (International Open University of Washington in the United States of America (美國華盛頓國際公開大學)). Mr. Mao is a physician. He is currently a vice president of the Company. He served as the director of Shenzhen Kondarl (Group) Co. Ltd. (stock code 000048), general manager of Shanghai Zhongxi Sunve Pharmaceutical Co., Ltd., general manager of Shanghai Zhong Xi Pharmaceutical Co., Ltd., general manager of No.1 Biochemical and Pharmaceutical Co., Ltd. of the prescription drug division of Shanghai Pharmaceutical (Group) Co., Ltd. and vice president of the prescription drug division of Shanghai Pharmaceutical (Group) Co., Ltd., etc.

Zhong Tao

Mr. Zhong Tao graduated from Fudan University with a postgraduate degree in business management and obtained a master's degree. He is currently the vice president, board secretary and joint company secretary of the Company and holds directorship and other positions in certain subsidiaries of the Company. He was a member of the Party Committee, an executive director and a vice president of Shanghai Industry City Development Group Co., Ltd., and a member of the Party Committee, a director and a vice president of Shanghai Chengkai (Group) Co., Ltd., a director of Tianjin Trust Co., Ltd., a director of Shangshi Management (Shanghai) Co., Ltd., the person in charge of the preparation for the party organization of Jinhushen Biopharmaceutical Technology Co., Ltd., a director of planning of Shangshi Management (Shanghai) Co., Ltd., an assistant to the general manager of Shanghai Galaxy Investment Co., Ltd., and a project manager of the investment department of Shangshi Real Estate (Shanghai) Co., Ltd., etc.

Li Dongming

Mr. Li Dongming graduated from the Chemistry Department of Fudan University with a major in Chemistry and obtained a bachelor degree. He is currently the vice president of the Company and holds directorship and other positions in certain subsidiaries of the Company. He served as the joint chief operation officer of Shanghai Baoji Pharmaceutical Co., Ltd. (上海寶濟醫藥有限公司), the vice president and the joint president of Shanghai Fosun Pharmaceutical (Group) Co., Ltd., a senior vice president and the general manager and the president of Overseas Marketing Headquarter of Shanghai Fosun Pharmaceutical Industry Development Co., Ltd., a director and general manager of Shanghai Pharmaceutical Group Pharma Sales Co., Ltd., a director and the general manager of Shanghai Zhongxi Sunve Pharmaceutical Co., Ltd., a director and the deputy general manager of Shanghai Roche Pharmaceutical Co., Ltd., the vice president of the OTC business department, the strategic director of the strategy and investment committee office under the board of directors of Shanghai Pharmaceuticals (Group) Limited and the deputy plant manager, the assistant to the plant manager and director in the workshop and other positions of Shanghai Yan'an Pharmaceutical Plant.

Shao Shuai

Ms. Shao Shuai obtained a postgraduate degree and a master degree. She is currently the vice president of the Company, the chairman of the supervisory committee of Shanghai Fumed Tianjian Co., Ltd, and a supervisor of New Huadu Industrial Group Co., Ltd.. She served as an assistant to the chairman of Yunnan Baiyao Group Co., Ltd., the general manager, the general manager of investment department and an assistant to the chief executive officer of Jingzhun Beauty BU, the executive director of Hainan Yunfan Private Equity Fund Management Co., Ltd., the investment manager of China Investment Corporation, a senior manager and a vice president of New Huadu Industrial Group (Shanghai) Investment Co., Ltd., a managing director of New Huadu Group (HongKong) Investment Co., Ltd., the legal representative and the executive director of Shanghai Yunzhen Medical Technology Co., Ltd. and a director of Skynet (Shanghai) Band Management Co., Ltd., etc.

Maimaiti Aili

Mr. Maimaiti Aili graduated from Fudan University with a bachelor's degree in pharmacy, and obtained a master's degree in business administration degree from Shanghai University of Finance and Economics. He is currently the vice president of the Company. He currently serves as the general manager of SPH NO.1 Biochemical & Pharmaceutical Co., Ltd. Mr. Maimaiti Aili possesses extensive professional knowledge and corporate management experience. He held important management positions in the pharmaceutical manufacturing and pharmaceutical service segments of the Company. He previously served as the deputy general manager of Shanghai Pharmaceutical Co., Ltd., the general manager of SPH Cardinal (Shanghai) Pharma Co., Ltd., the executive director and general manager of Shanghai Pharmaceutical Imp. & Exp. Co., Ltd., and the general manager of Shanghai Pharmaceutical – Sudan Pharmaceutical Co., Ltd. (上海市醫藥—蘇丹製藥有限公司), etc.

Directors, Supervisors and Senior Management

POSITIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT IN SHAREHOLDER ENTITY

Name of personnel	Name of shareholder entities	Position held in the shareholder entity	Starting date of term of office	Expiry date of term of office
Yang Qiuhua	Shanghai Industrial Investment (Holdings) Co., Ltd.	Vice President	June 2021	Up to date
	Shanghai Industrial Investment (Holdings) Co., Ltd.	chairman	January 2024	Up to date
Xu Youli	Shanghai Industrial Investment (Holdings) Co., Ltd.	Vice President	April 2016	Up to date

POSITIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT IN OTHER ENTITIES

Name of personnel	Name of other entities	Position held in other entities	Starting date of term of office	Expiry date of term of office
Shen Bo	Chiatai Qingchunbao Pharmaceutical Co., Ltd.	Chairman	August 2023	Up to date
Shen Bo	China International Pharmaceutical (Holding) Corporation Limited	Executive Director	May 2014	Up to date
Shen Bo	TECHPOOL Bio-Pharma Co., Ltd.	Chairman	August 2023	Up to date
Shen Bo	SPH Changzhou Pharmaceutical Co., Ltd.	Chairman	August 2016	Up to date
Shen Bo	Shanghai Traditional Chinese Medicine Co., Ltd.	Chairman	December 2017	Up to date
Shen Bo	SPH-Biocad (HK) Limited	Director	October 2019	Up to date
Shen Bo	Shanghai SPH Ruier Drugs Co., Ltd. (上海上藥魯爾藥品有限公司)	Executive Director	August 2023	Up to date
Shen Bo	Hangzhou Huqingyutang Pharmaceutical Co., Ltd.	Chairman	August 2023	Up to date
Shen Bo	SPH Qingdao Guofeng Pharmaceutical Co., Ltd.	Chairman	November 2023	Up to date
Shen Bo	Xiamen TCM Factory Co., Ltd.	Chairman	April 2024	Up to date
Li Yongzhong	Shanghai Pharmaceutical Co., Ltd.	Chairman	August 2023	Up to date
		General Manager	October 2012	Up to date
Li Yongzhong	Shanghai Pharmaceutical Grand Health Cloud Commerce Co., Ltd.	Chairman	August 2016	July 2024
Li Yongzhong	SPH Keyuan Xinhai Pharmaceutical Co., Ltd.	Chairman	August 2016	October 2024
		Director	April 2011	Up to date
Li Yongzhong	Shanghai Pharma Northern Investment Co., Ltd.	Chairman	August 2016	January 2024
		Director	January 2012	January 2024
Li Yongzhong	Cardinal Health (L) Co., Ltd	Director	January 2018	Up to date
Li Yongzhong	SPH Cardinal (Shanghai) Pharma Co., Ltd.	Chairman	January 2018	Up to date
Yu Weidong	Shanghai Pharmaceutical Co., Ltd.	Supervisor	August 2016	Up to date
Yu Weidong	Shanghai Biomedical Industrial Equity Investment Fund Management Co Ltd.	Supervisor	October 2020	Up to date
Zhao Yong	Shanghai Medical Education and Training Co., Ltd. (上海醫藥教育培訓有限公司)	Chairman	July 2018	Up to date
Zhao Yong	Shanghai SPH Biological Medicine Co., Ltd.	Chairman	December 2019	Up to date
Zhao Yong	Shanghai Pharma Northern Investment Co., Ltd.	Executive Director	January 2024	September 2024
Zhao Yong	Shanghai Biomedical Frontier Industry Innovation Center Co., Ltd. (上海生物醫藥前沿產業創新中心有限公司)	Chairman	September 2024	Up to date

Directors, Supervisors and Senior Management

Name of personnel	Name of other entities	Position held in other entities	Starting date of term of office	Expiry date of term of office
Mao Jianyi	SPH Sine Pharmaceutical Factory Co., Ltd.	Chairman	April 2024	Up to date
Mao Jianyi	Shanghai Zhongxi Sunve Pharmaceutical Co., Ltd.	Chairman	April 2024	Up to date
Zhang Yaohua	Shanghai Zhongxi Sunve Pharmaceutical Co., Ltd.	Chairman	May 2017	April 2024
Zhang Yaohua	Shanghai Tsumura Pharmaceutical Co., Ltd.	Chairman	January 2018	July 2024
Zhang Yaohua	Shanghai SPH No.1 Biochemical and Pharmaceutical Co., Ltd.	Chairman	May 2019	August 2024
Zhang Yaohua	Shanghai SPH Biological Medicine Co., Ltd.	Director	June 2020	July 2024
Zhang Yaohua	SPH PHILILAB, INC	Director	March 2020	July 2024
Zhang Yaohua	SPH New Asia Pharmaceutical Co., Ltd.	Chairman	March 2021	August 2024
Zhang Yaohua	SPH Changzhou Kony Pharmaceutical Co., Ltd.	Executive Director	March 2015	August 2024
Zhang Yaohua	Shanghai Zhonghua Pharmaceutical Co., Ltd.	Chairman	December 2023	August 2024
Zhong Tao	Shanghai Pharmaceuticals (HK) Investment Limited	Director, General Manager	July 2022	Up to date
Zhong Tao	Shanghai Ruijian Capital Management Co., Ltd.	Director	July 2022	Up to date
Zhong Tao	Shanghai Lianyi Investment Center	Member of the investment committee	July 2022	Up to date
Zhong Tao	Shanghai Biomedical Industrial Equity Investment Fund Management Co Ltd.	Director	July 2022	Up to date
Zhong Tao	SPH Bio Therapeutics Co., LTD	Director	March 2023	Up to date
Zhong Tao	Tianda Pharmaceuticals Limited (Hong Kong)	Non-Executive Director	August 2023	Up to date
Zhong Tao	SPH PROJECT BIOCAD Limited	Director	March 2023	Up to date
Zhong Tao	SPH Chromo AG	Director	March 2023	Up to date
Zhong Tao	Shanghai United International Limited	Director	August 2023	Up to date
Zhong Tao	Shanghai Industrial Group Pharmaceutical Co. Ltd.	Director	August 2023	Up to date
Zhong Tao	Shanghai Huarui Investment Co. Ltd.	Executive Director	August 2023	Up to date
Zhong Tao	SIIC Medical Science and Technology (Group) Limited	Director	August 2023	Up to date
Zhong Tao	SIMST Medical Science and Technology Development Limited	Director	August 2023	Up to date
Zhong Tao	World Honest Investments Limited	Director	August 2023	Up to date
Zhong Tao	Shanghai Industrial Medicine Research & Development Co., Ltd. (上實醫藥科研開發有限公司)	Director	August 2023	Up to date
Li Dongming	China International Pharmaceutical (Holding) Corporation Limited	General Manager	May 2022	Up to date
Li Dongming	Shanghai Pharmaceutical Imp. & Exp. Co., Ltd.	Chairman	May 2022	Up to date
Li Dongming	Zeus Investment Limited	Director	May 2022	Up to date
Li Dongming	CanSino SPH Biologics Inc.	Vice Chairman	July 2022	Up to date
Li Dongming	Zynexis Healthcare Private Co., Ltd	Director	September 2022	Up to date
Li Dongming	Shanghai Biomedical Frontier Industry Innovation Center Co., Ltd. (上海生物醫藥前沿產業創新中心有限公司)	Director	September 2022	September 2024
Li Dongming	Shanghai Medical Instruments Co., Ltd.	Chairman	August 2023	Up to date
Li Dongming	Shanghai Pharmaceutical (USA), Inc.	Director	March 2023	December 2024
Maimaiti Aili	SPH NO.1 Biochemical & Pharmaceutical Co., Ltd.	Director	April 2023	Up to date
Maimaiti Aili	Shanghai Shangke Pharmaceutical Co., Ltd.	Director	April 2023	Up to date
Maimaiti Aili	Gansu Sine Tiansen Pharmaceutical Co., Ltd.	Chairman	April 2024	Up to date
Maimaiti Aili	SPH Cardinal (Shanghai) Pharma Co., Ltd.	Chairman	August 2024	Up to date

CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Name	Position	Change situation	Reasons for changes
Yang Qihua	Chairman, Executive Director	Election	On 19 March 2024, Mr. Yang Qihua was elected as an executive director of the eighth session of the Board at the 2024 first extraordinary general meeting of the Company, and was elected as the Chairman of the eighth session of the Board upon the consideration and approval at the seventh meeting of the eighth session of the Board on the same day.
Zhang Wenxue	Non-Executive Director	Election	On 28 June 2024, Mr. Zhang Wenxue was elected as a non-executive director of the eighth session of the Board at the 2023 annual general meeting of the Company.
Maimaiti Aili	Vice President	Appointment	On 5 November 2024, Mr. Maimaiti Aili was appointed as the vice president of the Company upon the consideration and approval at the fifteenth meeting of the eighth session of the Board of the Company.
Yao Jiayong	Vice Chairman, Non-Executive Director	Resignation	On 19 March 2024, Mr. Yao Jiayong resigned as the director, vice chairman and all other positions held in the Company due to work reallocation.
Chen Fashu	Non-Executive Director	Resignation	On 27 May 2024, Mr. Chen Fashu resigned as the non-executive, a member of the strategy committee of the Board and all other positions held in the Company due to adjustment of work arrangement.
Zhang Yaohua	Vice President	Resignation	On 5 August 2024, Mr. Zhang Yaohua resigned as the vice president and all other positions held in the Company due to work reallocation.

Save as disclosed in this report, there has been no change in the information of directors, supervisors and senior management which are required to be disclosed pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules.

Corporate Governance Report

The board of directors is pleased to present the corporate governance report of the Group for the year ended 31 December 2024. The Company is committed to maintaining a high standard of corporate governance and believes that good and effective corporate governance is vital for the long term success and sustainability of Shanghai Pharmaceuticals's business.

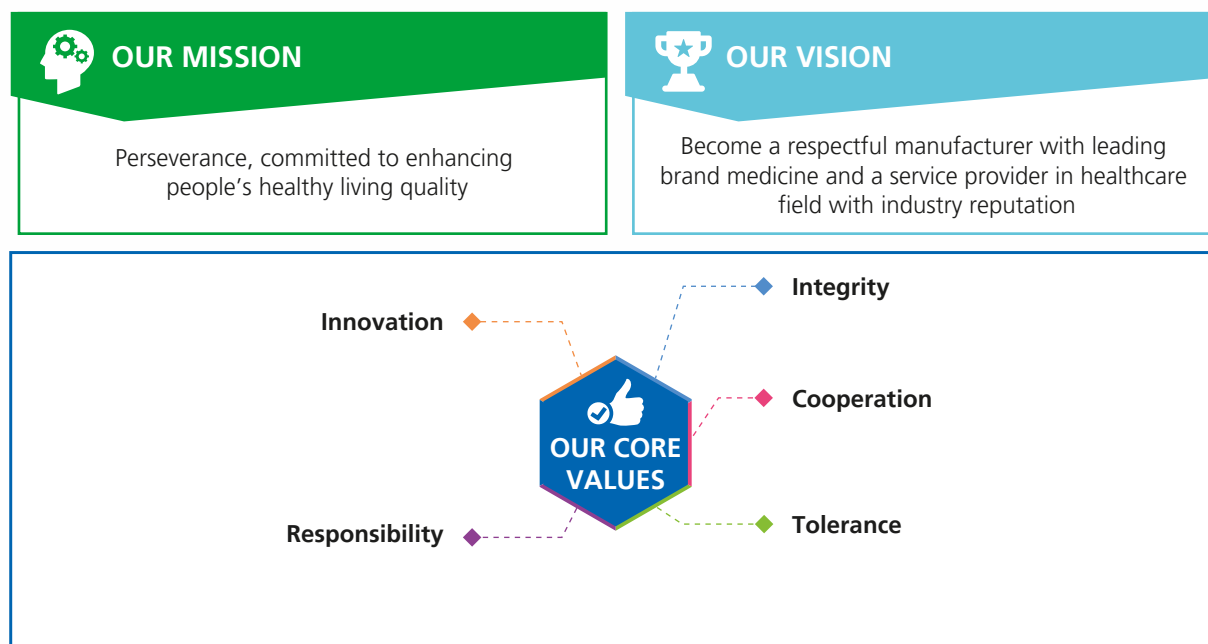
CORPORATE GOVERNANCE PRACTICE

As a company dual-listed in the A-share and H-share markets, Shanghai Pharmaceuticals has constantly improved the corporate governance structure of the Company, enhanced information disclosure, and standardized the Company's operations in accordance with the requirements of the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, relevant laws and regulations of the China Securities Regulatory Commission and the Listing Rules of the Shanghai Stock Exchange and the Hong Kong Stock Exchange.

As at the end of the Reporting Period, the corporate governance of the Company complied with the standardized operation requirements of listed companies, and did not significantly deviate from the requirements of relevant documents of the China Securities Regulatory Commission. At the same time, the Company complied with the principles and code provisions set forth in the Corporate Governance Code during the Reporting Period, except Rule 13.92 of the Hong Kong Listing Rules. As the term of office of Ms. Li An expired on 29 June 2023 (i.e. the date of the annual general meeting), she ceased to be the director of the Company. The board of directors was only of a single gender. Pursuant to Rule 13.92 of the Hong Kong Listing Rules, the Stock Exchange will not consider diversity to be achieved for a single gender board. Since the resignation of Ms. Li An, the Board has taken active steps to identify suitable female candidate for appointment as a director. During the process of searching for candidates, the Company has taken into consideration various factors, including the potential candidates' professional experience, skills and knowledge, as well as gender, culture and education background in order to achieve the goal of the diversity of the Board, and has tried to make decisions based on merits in accordance with the nomination policy of the Company, the selection mechanism of state-owned enterprise and also the A-share listing rules. On 10 January 2025, Ms. Man Kwan was nominated as a candidate of the independent non-executive director of the eighth session of the Board of the Company. After Ms. Man Kwan was officially elected as the independent non-executive director of the eighth session of the Board of the Company by the shareholders of the Company at the extraordinary general meeting on 13 March 2025, the Company has complied with the requirement in relation to gender diversity of the board of directors under Rule 13.92 of the Hong Kong Listing Rules.

CORPORATE CULTURE

A healthy corporate culture across the Group is integral to attain its vision and strategy. The board of directors is committed to creating a positive and progressive culture based on the following core concepts.



BOARD OF DIRECTORS

Composition of the board of directors

The Company's board of directors comprises four executive directors, namely Mr. Yang Qiu-hua (chairman), Mr. Shen Bo (also the president and the chief financial officer), Mr. Li Yongzhong (also the executive president) and Mr. Dong Ming; one non-executive director, namely Mr. Zhang Wenxue; and four independent non-executive directors, namely Mr. Gu Zhaoyang, Mr. Fok Manson, Mr. Wang Zhong and Ms. Man Kwan. The biographical details of the directors are set out in the chapter headed "Directors, Supervisors and Senior Management" in this annual report.

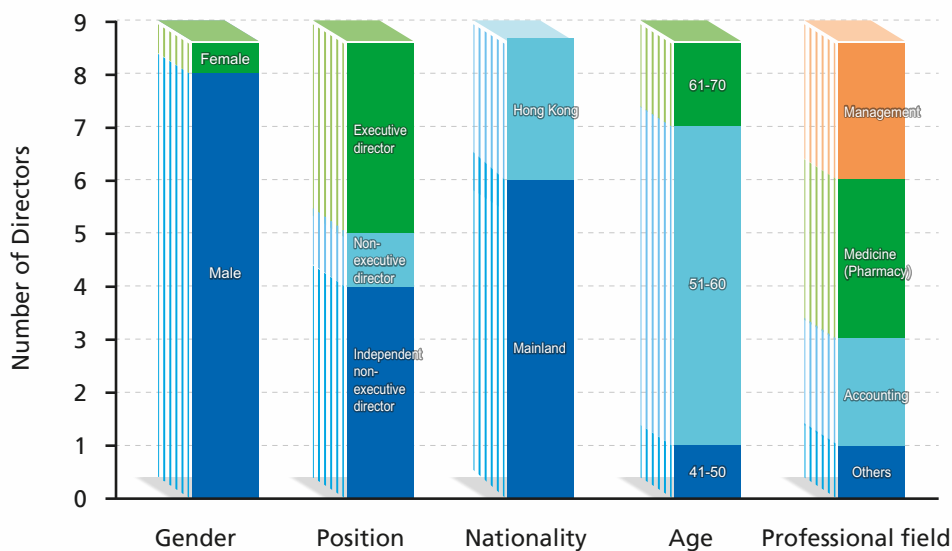
As far as the Company is aware, the members of the board of directors, the chairman and the president had no relationship in respect of finance, business or family or relevant material relationship with each other.

Pursuant to the Articles of Association and Code Provision B.2.2, the term of office of the directors (including independent non-executive directors) is three years, renewable upon re-election at its expiry, provided that the term of office of the independent non-executive directors shall not exceed a consecutive period of six years.

Mr. Yang Qihua was appointed as a director on 19 March 2024, Mr. Zhang Wenxue was appointed as a director on 28 June 2024 and Ms. Man Kwan was appointed as a director on 13 March 2025. Mr. Yang Qihua, Mr. Zhang Wenxue and Ms. Man Kwan have obtained the legal advice referred to in Rule 3.09D of the Hong Kong Listing Rules on 19 March 2024, 28 June 2024 and 13 March 2025, respectively, and they have confirmed that they understood their obligations as a director of a listed issuer.

BOARD AND EMPLOYEE DIVERSITY

The Company has adopted the board diversity policy. When assessing candidates for the Board, the Company will take into consideration of the diversity perspective set out in this policy, including but not limited to gender, age, the highest academic degree, professional fields and term of service, so as to achieve a proper balance in the composition of the Board of Directors. The Board of Directors has reviewed the implementation and effectiveness of the board diversity policy during the Reporting Period and has taken appropriate measures, therefore, the Board considers that it was still valid. During the Reporting Period, the board of directors has basically achieved the expected goal of the member diversity policy and kept an appropriate balance of member structure, except in terms of the gender. Details are as follows:



In terms of employees, the ratio of male to female employees of the Group is 49.3 : 50.7. Among the 8 members of senior management, 7 are male and 1 is female, and different departments are led by different male and female employees. Therefore, the board of directors believes that the Company has achieved the expected goal in terms of gender diversity.

Corporate Governance Report

The Company values gender diversity and will continue to take steps to promote gender diversity at all levels of the Company, in particular at the Board level. At present, there is a female director at the Board level of the Company. In addition, the Company is committed to providing career development and training opportunities for its staff who have the suitable experience, skills and knowledge with an aim to promote them to senior management or directors. The Company will also ensure that there is gender diversity in staff recruitment at mid to senior levels so as to develop a pipeline of potential successors to the board of directors.

Primary duties of the board of directors

The Company has complied with the provisions of the Corporate Governance Code and distinguished between the roles of the chairman and the chief executive officer. Mr. Yang Qihua is the current chairman of the Company and Mr. Shen Bo is the president of the Company. Meanwhile, with a view to differentiate the duties of the board of directors and the management, the Board is responsible for the Company's policy, budget and financial accounts, significant transactions (especially for those involving conflict of interest), financial data, recruiting or dismissing senior management, corporate governance function as well as other functions and powers as authorized by laws, administrative regulations, departmental rules, Articles of Association or general meetings. The management is responsible for daily operations and implementation of relevant decisions.

Board meetings

In accordance with Code Provisions C.5.1 and C.2.7, during the Reporting Period, the Board held at least four regular meetings every year, which were convened by the chairman and notices of Board meetings were served on all directors and supervisors as required by relevant requirements; independent non-executive directors met with the chairman individually at least once.

During the Reporting Period, the Board held a total of ten meetings, at which proposals were considered in relation to the Company's business results, financial accounts and budgets, policies formulation, profit distribution, grant of equity incentives, connected transactions, election of directors as well as the performance of the corporate governance function (including environmental, social and governance matters), etc.

The directors are allowed to learn the information necessary for the decision-making from the Office of the board, the meeting convener, the president and other senior management, various special committees, accounting firms and law firms and other relevant personnel and institutions before the meeting, or to suggest the president to invite the above-mentioned persons and the representatives of the above-mentioned institutions to attend the meeting to explain the relevant situations. The board has reviewed the implementation status and effectiveness of the mechanism for directors to obtain independent opinions and advice during the Reporting Period, and considered that such mechanism was effectively implemented.

DIRECTOR'S CONTINUOUS PROFESSIONAL DEVELOPMENT

During the Reporting Period, all directors participated in the continuing professional development program to develop and update their knowledge and skills. Directors including Yang Qihua and Zhang Wenxue participated in the training on continuous obligations and responsibilities for directors, supervisors and senior management of Hong Kong listed companies provided by Freshfields on 19 March 2024 and 28 June 2024, respectively. In December 2024, directors including Yang Qihua, Zhang Wenxue, Shen Bo, Li Yongzhong, Dong Ming, Gu Zhaoyang, Fok Manson and Wang Zhong participated in the 2024 training courses for the directors, supervisors and senior management of listed companies in Shanghai organized by the Listed Companies Association of Shanghai. In August 2024, directors including Gu Zhaoyang and Fok Manson participated in the follow-up training for independent directors of listed companies in 2024 (the fourth phase) organized by Shanghai Stock Exchange. Resigned directors including Yao Jiayong and Chen Fashu read and studied the latest development on further expansion of paperless listing regime.

The Company regularly provides all the directors with monthly data summary, latest information regarding the corporate governance and directors' responsibilities under the listing rules of two places and other applicable laws and regulations, so that the directors are able to make informed decisions and discharge their responsibilities and duties as directors of the Company.

COMMITTEES UNDER THE BOARD

Remuneration and assessment committee

The remuneration and assessment committee under the board of directors of the Company consists of Mr. Wang Zhong (an independent non-executive director), acting as its convener/chairman, Mr. Yang Qihua (an executive director) and Mr. Gu Zhaoyang (an independent non-executive director). The remuneration and assessment committee is a special body established under the board of directors, mainly responsible for formulating and implementing the performance assessment standards for directors, the president and other senior management of the Company, and formulating and reviewing the remuneration policies and proposals for directors, the president and other senior management, and reviewing and/or approving matters relating to the share scheme described in Chapter 17 of the Hong Kong Listing Rules. For details of the remunerations of directors, supervisors and senior management, please refer to "Report of the Board of Directors" and "Directors, Supervisors and Senior Management" respectively.

Corporate Governance Report

During the Reporting Period, the remunerations of 8 members of senior management by band are as follows:

Remuneration Band (RMB)	Number
3,000,001 to 4,000,000	1
2,000,001 to 3,000,000	4
1,000,001 to 2,000,000	2
Below 1,000,000	1

During the Reporting Period, the remuneration and assessment committee held three meetings, at which the performance review on senior management, option incentive plan and other matters were discussed.

Audit committee

The audit committee under the board of directors of the Company consists of Mr. Gu Zhaoyang (an independent non-executive director), acting as its convener/chairman, Mr. Fok Manson (an independent non-executive director) and Mr. Wang Zhong (an independent non-executive director). The audit committee is a body specifically set up under the board of directors, mainly responsible for the relationship between the Company and the external auditors, reviewing the financial information of the Company, supervising the financial reporting mechanism and risk management and internal control systems of the Company and considering and supervising the environmental, social and governance matters of the Company.

During the Reporting Period, the audit committee held a total of six meetings, at which proposals were discussed in relation to the Company's business results, the self-appraisal report on internal control of the Company, summary of audit for the year and future work plan, audit schedule on financial report, connected transactions, etc.

In accordance with Code Provision D.3.3 and Rule 14A.55 of the Hong Kong Listing Rules, the audit committee met with the auditor without the presence of management at least once during the Reporting Period; the audit committee and independent non-executive directors have reviewed the continuing connected transactions of the Company.

Strategy committee

The strategy committee under the board of directors of the Company consists of Mr. Yang Qihua (an executive director) acting as its convener/chairman, Mr. Zhang Wenxue (a non-executive director) and Mr. Wang Zhong (an independent non-executive director). The strategy committee is a special body established under the board of directors focusing on strategy study as entrusted by the board of directors, mainly responsible for conducting forward-looking study on corporate development strategy and related issues, performing evaluations and making recommendations.

During the Reporting Period, the strategy committee held one meeting, at which the Innovation and Reform Work Plan for the Company and its implementation was discussed.

Nomination committee

The nomination committee under the board of directors of the Company consists of Mr. Fok Manson (an independent non-executive director) acting as its convener/chairman, Mr. Shen Bo (an executive director), Mr. Gu Zhaoyang (an independent non-executive director) and Ms. Man Kwan (an independent non-executive director). The nomination committee is a special body established under the board of directors, mainly responsible for analysing the candidates for directors of the Company and the selecting criteria and procedures and making recommendations to the board of directors. The nomination committee may also be responsible for analysing the candidates for the senior management of the Company and the selecting criteria and procedures and making recommendations to the board of directors when necessary.

During the Reporting Period, the nomination committee held two meetings, mainly reviewed the structure, size and composition of the Board (including skill, knowledge and experience), evaluated the independence of independent non-executive directors and proposed to nominate the candidates for directors of the Company.

The nomination procedure for the directors of the Company is as follows: The nomination committee submits proposals for candidates of directors to the Board. The Board, or one or more shareholders individually or collectively holding more than three percent (3%) of the Company's outstanding Shares, may nominate directors to the general meeting. The general meeting finally reviews and approves candidates for directors.

Selection of candidates for director considers factors including, but not limited to, the Company's strategic planning, operating activities, asset size and shareholding structure, as well as the candidate's qualifications, independence, and professional fields, and the situation of the Board diversity, etc.

ATTENDANCE OF DIRECTORS AND COMMITTEE MEMBERS

The following table sets forth the attendance of each director during their terms of office at meetings of the Board and board committees and the Company's general meeting for the year ended 31 December 2024:

Name of Director	Attendance/Numbers of Meetings						
	Board of Directors	Independent Board meeting	Remuneration and assessment committee	Audit committee	Strategy committee	Nomination committee	General Meeting
Non-executive directors							
Mr. Yang Qihua ^{Note 1}	10/10		3/3				1/1
Mr. Zhang Wenxue ^{Note 1}	5/5						
Mr. Yao Jiayong ^{Note 2}	1/1						0/1
Mr. Chen Fashu ^{Note 2}	4/4				1/1		0/1
Executive directors							
Mr. Shen Bo	11/11					2/2	2/2
Mr. Li Yongzhong	11/11						1/2
Mr. Dong Ming	11/11						2/2
Independent non-executive directors							
Mr. Gu Zhaoyang	11/11	4/4	3/3	6/6	1/1	2/2	1/1
Mr. Fok Manson	11/11	4/4		6/6	1/1	2/2	1/1
Mr. Wang Zhong	11/11	4/4	3/3	6/6	1/1		2/2

Note 1: Mr. Yang Qihua and Mr. Zhang Wenxue were elected to the eighth session of the board of directors at the 2024 first extraordinary meeting and the 2023 annual general meeting, respectively, and held relevant positions.

Note 2: Due to adjustment of work arrangement, Mr. Chen Fashu ceased to act as a non-executive director, a member of the strategy committee of the Board and all other positions held at the Company and its subsidiaries since 27 May 2024. Due to work reallocation, Mr. Yao Jiayong ceased to act as a non-executive director, vice chairman and all other positions held at the Company and its subsidiaries since 19 March 2024.

COMPLIANCE WITH THE MODEL CODE BY DIRECTORS AND SUPERVISORS

The board of directors has confirmed that the Company has adopted the Model Code. After sufficient enquiry, all the directors and supervisors have confirmed that during the Reporting Period, they have complied with the Model Code in all aspects.

REMUNERATION OF AUDITORS

With reference to the Company's actual situation of business development, the audit fee payable to the auditors by Shanghai Pharmaceuticals for 2024 was set at RMB17.593 million (relevant disbursement and taxation expenses inclusive) while the audit fee for internal control was set at RMB1.5 million (relevant disbursement and taxation expenses inclusive) upon consultation and confirmation by the Company with the auditor of the Company, Deloitte Touche Tohmatsu Certified Public Accountants LLP.

In 2024, a non-audit service fee of approximately RMB0.5015 million (taxation expense and disbursement inclusive) was paid by the Company to the affiliates or network members of the Company's auditors mainly for tax consulting services.

ACCOUNTABILITY AND AUDIT

Directors acknowledged their responsibility for preparation of financial statements of the Group for the year ended 31 December 2024.

As far as the directors are aware, there was no event, condition or material uncertainty that may cast doubt upon the Group's ability to continue its operation as a going concern.

The statements of declaration responsibilities made by the auditor on the financial statements are contained in the "Independent Auditor's Report".

RISK MANAGEMENT AND INTERNAL CONTROL

The board is responsible for overseeing and reviewing the management and internal control system of the Company's risks (including environmental, social and governance risk, the same as below) and ensuring the effectiveness of the system. During the Reporting Period, the board has completed the annual review on the effectiveness of the Group's internal control system which covered all material control aspects, including finance, operation and compliance controls and risk management functions, and also the board has taken full consideration of accounting, internal review, financial reporting function and resources relevant to the Company's performance in environment, social and governance and reporting as well as the qualification of the employees and their experience and makes sure the employees receive enough training with sufficient budget. In the progress of reviewing, the audit committee (on behalf of the Board), the risk management and control working group as well as the audit division are responsible for supervision of management to design, implement and monitor the risk management and internal control system. As the risk management and internal control system has its limitations, the system is designed to manage rather than eliminate the risk of failing to achieve business objectives and only provide reasonable and not absolute assurance against material misstatement or loss. As of 31 December 2024, such system of the Company is considered operating effectively and adequately.

Corporate Governance Report

To respond to the ever-changing risks and follow the compliance requirements of listing governance, the Company regarded the risk management and control as an important part of the strategic control system. The Company implemented the risk management working procedures consisting of four steps, i.e. risk identification, risk assessment, risk response and risk report, to systematically and regularly identify internal and external risks, assess the likelihood and impact of risks, identify risk response strategies and implement response plans, and regularly and systematically report the risk and risk management information. The Company adopted four risk response strategies, i.e. risk avoidance, risk acceptance, risk mitigation and risk transfer, to against risks. Based on risk priorities, the Company formulated special counter-measures against risks, and reassessed the residual risk after taking risk response measures, striving to reduce the residual risk level to a level close to or below the Company's target residual risks through effective risk response measures.

In view of the internal control, the Company has established the corporate governance structure according to the requirements of establishing the modern enterprise system based on the enterprise risk and combining with its own development, and set up the organization structure which conforms to the business scale and operational needs of the Company. The Company continuously upgraded and optimized the internal control management system in terms of the internal environment, risk assessment, control activities, information and communication and internal supervision.

The Company has established a complete inside information processing and publication procedure. The Company has formulated and implemented information disclosure management regulations such as the Information Disclosure Affair Management Regulations and Investor Relations Management Regulations, and properly implemented the inside information confidentiality procedure. The Company strictly complied with the regulations of the Inside Information and Insiders Management Regulations and other related regulations to strengthen the confidentiality of inside information and improve the management of insider registration. The Company's directors, supervisors, senior management, and other relevant personnel are able to strictly abide by the confidentiality obligations during the preparation of periodic reports and interim announcements and during the planning of significant events.

The Company has established a complaint and whistleblower mechanism, pursuant to which employees can, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. Such arrangements shall be reviewed by the audit committee to ensure that proper arrangements are in place for fair and independent investigation of such matters.

The Company also published anti-bribery and anti-corruption policies such as the Anti-Commercial Bribery Management Measures and Compliance Guidelines on Preventing Commercial Bribery Risks, and conducted anti-corruption trainings, various warning case studies, and other activities for both the headquarters and subordinated companies.

COMPANY SECRETARY

The primary responsibility of the company secretary of the Company is to ensure good information exchange between board members and the compliance with the policies and procedures of the board of directors as well as all applicable regulations. Mr. Zhong Tao and Ms. Wong Pui Kiu Ingrid of Tricor Services Limited (external service provider) are the joint company secretaries of the Company, and received relevant training of not less than 15 hours in 2024, which is in conformity with Rule 3.29 of the Hong Kong Listing Rules. The main internal contact person of the Company of Ms. Wong Pui Kiu Ingrid is the vice president, board secretary and joint company secretary of the Company, Mr. Zhong Tao.

SHAREHOLDER'S RIGHTS

The Company treats all shareholders equally with an aim to ensure that their rights can be fully exercised and their legitimate interests can be safeguarded and that the general meetings can be convened and held in strict compliance with the relevant laws and regulations. The Articles of Association and rules of procedures for the general meeting specifies in detail the specific procedures for convening an extraordinary general meeting and proposing provisional motions at general meetings. Shareholders individually or collectively holding 10% or more of Shares of the Company may request the Board to convene an extraordinary general meeting and such request shall be in written form. The Board shall decide on whether the proposal is approved based on the provisions of laws, administrative regulations and the Articles of Association as well as the specific circumstances. Shareholders individually or collectively holding 3% or more of Shares may propose provisional proposals and submit them in writing to the convener 10 days before the holding of the general meeting. The convener shall include in the agenda of the meeting the issues raised in the proposals that fall within the scope of responsibility of the general meeting. For the contact information for shareholders to make inquiries or submit temporary proposals to the Company, please refer to the chapter headed "Corporate Information" in this annual report.

INVESTOR RELATIONS

The Company attaches great importance to maintaining continuous communication with shareholders. The Company's shareholder communication policy includes: establishing the Company's website (<http://www.sphchina.com>) for the public to access the information and updated information about the Company's business development and operation, financial information, corporate governance practices, ESG and other information; shareholders and the public can make inquiries about the Company or express their opinions in writing at any time through the "SSE E interactive platform" and the Company's email; the board of directors and the management communicate directly with shareholders through general meetings, results announcement, investor roadshow activity, etc.

The board of directors has reviewed the participation and communication activity of shareholders and investors conducted by the Company in 2024. During the Reporting Period, the information on the Company's website was updated in time, the investors' inquiries were answered on a regular basis, and shareholders had the opportunity to communicate with directors and senior management at the general meeting. Based on the above situation, the board of directors believed that the shareholder communication policy remained effective.

ARTICLES OF ASSOCIATION

During the year ended 31 December 2024, the Proposal Regarding the Amendments to the Articles of Association was considered and passed at the extraordinary general meeting held by the Company on 19 March 2024. For details of amendments, please refer to the circular of the Company dated 1 March 2024.

DIVIDEND POLICY

Pursuant to the Articles of Association, the Company implements a consistent and stable profit distribution policy. The dividend may be distributed by the Company by way of cash, shares or the combination of both. The cumulative cash dividends of the Company for the latest three years shall not be less than 30% of the average annual distributable profit for the same three-year period. The detailed distribution plan will be determined by the shareholders' general meeting of the Company in accordance with the Company's actual operating results for the year.

ELECTRONIC DISSEMINATION OF CORPORATE COMMUNICATIONS

The Company is committed to reducing carbon emissions, to promote sustainable practices across our operations, we have adopted the new practice on disseminating the corporate communications electronically, to the extent permitted by the applicable Hong Kong Listing Rules, relevant laws and regulations (please refer to the Company's website). We expect these amendments will significantly reduce the use of paper and lessen our impact on the environment.

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

FINANCIAL STATEMENTS AND AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2024

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AUDITOR'S REPORT

De Shi Bao (Shen) Zi (25) No. P00607
(Page 1 of 6)

To the Shareholders of Shanghai Pharmaceuticals Holding Co., Ltd.:

1. Opinion

We have audited the financial statements of Shanghai Pharmaceuticals Holding Co., Ltd. ("Shanghai Pharmaceuticals"), which comprise the consolidated and Company's balance sheets as at 31 December 2024, and the consolidated and Company's income statements, the consolidated and Company's cash flow statements and the consolidated and Company's statements of changes in shareholders' equity for the year then ended, and the notes to the financial statements.

In our opinion, the accompanying financial statements of Shanghai Pharmaceuticals are prepared and present fairly, in all material respects, the consolidated and Company's financial position as of 31 December 2024, and the consolidated and the Company's results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

2. Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Shanghai Pharmaceuticals in accordance with the Code of Ethics for Chinese Certified Public Accountants, 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.

3. Key Audit Matters

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

- (I) Impairment of goodwill
- (II) Expected credit loss of accounts receivable
- (III) Provision for decline in value of inventories

3. Key Audit Matters - continued

Key audit matter	How our audit addressed the key audit matter
<p>(I) Impairment of goodwill</p> <p>Refer to Note II (32.1.3) to the financial statements (Significant Accounting Estimates and Judgements) and Note IV (22) to the financial statements (Goodwill).</p> <p>As 31 December 2024, the carrying amount of and impairment provision for goodwill in the consolidated financial statements of Shanghai Pharmaceuticals are RMB13,176,426,243.59 and RMB2,030,840,107.91, respectively.</p> <p>In performing impairment test with the assistance of external appraiser, the management of Shanghai Pharmaceuticals adopts discounted cash flow method to determine the recoverable amount of the asset group or portfolio of asset groups that contains goodwill. The key assumptions adopted in calculating the recoverable amount include:</p> <ul style="list-style-type: none"> • Revenue growth rate for the forecast period • Revenue growth rate for the stable period • Gross margin • Pre-tax discount rate <p>We identify the impairment of goodwill as a key audit matter as (1) the goodwill is significant in amount, (2) the estimate of recoverable amount is subject to uncertainties, (3) the above key assumptions are subjective and involve significant management judgement and estimates.</p>	<p>We obtained an understanding of the key internal controls related to goodwill impairment and evaluated the design and operating effectiveness of these controls.</p> <p>Using sampling approach, we checked the basis of allocating goodwill to the asset group or portfolio of asset groups used by the management and assessed the relevant reasonableness.</p> <p>With assistance of internal valuation experts, we reviewed and evaluated the reasonableness and appropriateness of the valuation methodology, future cash flow projections, revenue growth rate for the forecast period, revenue growth rate for the stable period, gross margin, and pre-tax discount rate and other key parameters used by management in impairment testing. We also reconciled the data used in forecasting cash flow with historical data and other supporting evidence and considered the relevant reasonableness.</p> <p>We obtained the valuation report issued by the external appraiser employed by the management, and assessed the professional quality, competence and objectivity of the external appraiser.</p>

3. Key Audit Matters - continued

Key audit matter	How our audit addressed the key audit matter
<p>(II) Expected credit loss of accounts receivable</p> <p>Refer to Note II (32.1.5) to the financial statements (Significant Accounting Estimates and Judgements) and Note IV (5) to the financial statements (Accounts receivable).</p> <p>As at 31 December 2024, the carrying amount of and bad debt allowance for accounts receivable in the consolidated financial statements of Shanghai Pharmaceuticals are RMB81,551,728,010.97 and RMB2,422,522,271.81, respectively.</p> <p>The balance of loss allowance for accounts receivable reflects the management's best estimate of expected credit loss ("ECL") at the reporting date using the ECL model under the Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments.</p> <p>The management measures the ECL provision for accounts receivable at an amount equivalent to lifetime ECL. Where there is objective evidence indicating the accounts receivable are impaired, the management recognizes ECL and assesses provision for individual bad debts by calculating the weighted average amount of the present value of the difference between the contractual cash flows receivable and cash flows expected to be received. For accounts receivable without objective evidence of impairment, the management determines the bad debt allowance on the basis of the prior-year actual loss ratio and aging analysis of the portfolio of accounts receivable with similar credit risk characteristics, taking into consideration of reasonable and supporting information such as current conditions and forecast of future economic conditions.</p> <p>We identify the ECL of accounts receivable as a key audit matter as (1) the accounts receivable is significant in amount, (2) the estimate of ECL is subject to uncertainties and involves significant management judgement and estimates.</p>	<p>We obtained an understanding of the key internal controls related to the measurement of expected credit losses for accounts receivable and evaluated the design and operating effectiveness of these controls.</p> <p>Using sampling approach, we checked the accuracy of the aging analysis schedule of accounts receivable prepared by the management, and tested the general control and automated control of information systems relating to the maintenance of aging analysis schedule.</p> <p>Using sampling approach, we selected accounts receivable for which the provision for expected credit losses is assessed individually. We also assessed the recoverability of accounts receivable and checked relevant supporting evidence.</p> <p>We assessed the appropriateness of the management's method of categorization of accounts receivable into several portfolios for bad debt provision and the calculation by considering the actual bad debt amount and circumstances of the same type of portfolio of accounts receivable, in combination with the factors such as customer payment status and market conditions.</p> <p>With the assistance of internal valuation experts, we assessed risks of material misstatement in estimating the ECL. We also assessed the forward-looking information used by the management in ECL model, including review of the management's selection of economic indicators and assessment of the results of the sensitivity analysis on the forward-looking information performed by the management taking into consideration of reasonable and possible changes in key assumptions.</p>

3. Key Audit Matters - continued

Key audit matter	How our audit addressed the key audit matter
<p>(III) Provision for decline in value of inventories</p> <p>Refer to Note II (32.1.4) to the financial statements (Significant Accounting Estimates and Judgements) and Note IV (9) to the financial statements (Inventories).</p> <p>As at 31 December 2024, the carrying amount of and provision for decline in value of inventories in the consolidated financial statements of Shanghai Pharmaceuticals are RMB40,370,239,986.09 and RMB1,426,570,249.01, respectively.</p> <p>Inventories are measured at the lower of cost and net realizable value. For inventories with expiry dates, the management determines the provision for decline in value of inventories based on the expiry dates, taking into consideration of the suppliers' terms of return and exchange of goods and the forecast on marketability of near-expired inventories.</p> <p>We identify the impairment of inventories as a key audit matter as (1) inventories are significant in amount, (2) the estimation of provision is uncertain, and (3) the judgement on future marketability is subjective and involves significant management judgement and estimates.</p>	<p>We obtained an understanding of the key internal controls related to provisions for decline in value of inventories and evaluated the design and operating effectiveness of these controls.</p> <p>Using sampling approach, we tested the accuracy of the statement of expiry dates of inventories prepared by the management, including the testing of the general control and automated control of information systems used to maintain the expiry dates of inventories.</p> <p>Using sampling approach, we tested the near-expired inventories for which provision for decline in value has not been made, and checked the agreement with suppliers on return and exchange of goods.</p> <p>For near-expired inventories for which provision for decline in value has been made, we assessed the reasonableness of the management's forecast of the marketability by sampling inspection of the historical sales.</p> <p>We tested the accuracy of calculation of provision for decline in value of inventories.</p>

4. Other Information

The management of Shanghai Pharmaceuticals is responsible for other information. The other information comprises the information included in the 2024 annual report of Shanghai Pharmaceuticals, but does not include the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

5. Responsibilities of the Management and Those Charged with Governance for the Financial Statements

The management of Shanghai Pharmaceuticals is responsible for the preparation and fair presentation of the financial statements in accordance with Accounting Standards for Business Enterprises, and designing, implementing and maintaining internal control that is necessary to enable the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing Shanghai Pharmaceuticals' 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 management either intends to liquidate Shanghai Pharmaceuticals or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Shanghai Pharmaceuticals' financial reporting process.

6. Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with China Standards on Auditing 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 financial statements.

As part of an audit in accordance with China Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the 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.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) Conclude on the appropriateness of the management's 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 Shanghai Pharmaceuticals' 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 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 Shanghai Pharmaceuticals to cease to continue as a going concern.
- (5) Evaluate the overall presentation (including the disclosures), structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Auditor's Responsibilities for the Audit of the Financial Statements - continued

- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Shanghai Pharmaceuticals to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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.

Deloitte Touche Tohmatsu CPA LLP
Shanghai, China

Chinese Certified Public Accountant:
(Engagement partner)

Chinese Certified Public Accountant:

27 March 2025

The auditor's report and the accompanying financial statements are English translations of the Chinese auditor's report and statutory financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. These financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. In case the English version does not conform to the Chinese version, the Chinese version prevails.

SHAREHOLDERS OF SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

THE CONSOLIDATED AND THE COMPANY'S BALANCE SHEETS
AT 31 DECEMBER 2024
(IN RMB, UNLESS OTHERWISE STATED)

ASSETS	NOTES	31 December 2024 The Consolidated	31 December 2023 The Consolidated	31 December 2024 The Company	31 December 2023 The Company
Current Assets					
Cash and bank balances	(IV)1	35,744,328,038.57	30,517,706,443.04	9,052,869,451.72	7,929,735,432.19
Held-for-trading financial assets	(IV)2	8,632,930,000.00	10,152,154,821.92	8,632,930,000.00	10,152,154,821.92
Derivative financial assets	(IV)3	16,224,786.35	2,596,393.11	10,803,283.33	-
Notes receivable	(IV)4	1,122,105,045.23	1,908,648,955.48	-	-
Accounts receivable	(IV)5, (XIV)1	79,129,205,739.16	72,933,881,117.17	78,949,325.65	-
Receivables financing	(IV)6	1,965,669,770.02	2,320,106,012.96	-	-
Prepayments	(IV)7	1,947,402,427.71	3,190,044,307.40	7,336,544.65	9,910,030.01
Other receivables	(IV)8, (XIV)2	3,106,695,609.03	3,381,133,896.89	15,261,964,084.43	16,750,885,576.08
Including: Interest receivable		-	-	83,191,834.79	78,428,967.69
Dividends receivable		94,189,935.96	239,065,993.48	217,888,925.96	636,322,615.73
Inventories	(IV)9	38,943,669,737.08	36,623,393,930.07	-	-
Non-current assets due within one year	(IV)13	83,611,615.14	77,420,057.49	9,621,930.57	9,220,824.69
Other current assets	(IV)10	1,131,264,653.68	1,326,776,412.93	292,871.95	5,750,598.65
Total Current Assets		171,823,107,421.97	162,433,862,348.46	33,054,767,492.30	34,857,657,283.54
Non-current Assets					
Long-term receivables	(IV)13	386,244,506.89	227,939,569.60	20,517,730.17	30,139,660.73
Long-term equity investments	(IV)14, (XIV)3	8,066,844,872.89	8,351,910,110.17	31,291,629,163.29	31,048,793,745.57
Investments in other equity instruments	(IV)11	43,899,340.70	55,416,725.20	-	-
Other non-current financial assets	(IV)12	1,724,668,131.23	2,195,371,867.75	1,633,986,486.47	1,789,517,079.76
Investment properties	(IV)15	366,010,300.23	314,673,077.66	2,923,909.21	3,521,820.72
Fixed assets	(IV)16	14,911,045,205.84	12,155,054,666.68	91,596,657.81	97,358,529.12
Construction in progress	(IV)17	2,148,651,608.60	3,569,629,053.37	27,889,758.21	29,960,877.39
Bearer biological assets	(IV)18	133,381,840.87	133,427,150.06	-	-
Right-of-use assets	(IV)19	1,981,731,618.35	2,148,311,132.06	51,096,058.44	55,991,662.93
Intangible assets	(IV)20	5,617,462,430.33	6,050,835,947.46	47,117,394.09	50,789,086.95
Development expenditure	(IV)21	215,324,899.96	310,509,650.32	-	60,552,179.35
Goodwill	(IV)22	11,145,586,135.68	11,393,332,202.20	-	-
Long-term prepaid expenses	(IV)23	534,566,477.24	474,711,155.94	30,620,117.46	43,736,768.68
Deferred tax assets	(IV)24	1,627,529,013.21	1,716,858,058.26	-	-
Other non-current assets	(IV)26	483,376,344.18	440,691,051.61	24,601.77	6,860,049.07
Total Non-current Assets		49,386,322,726.20	49,538,671,418.34	33,197,401,876.92	33,217,221,460.27
TOTAL ASSETS		221,209,430,148.17	211,972,533,766.80	66,252,169,369.22	68,074,878,743.81

SHAREHOLDERS OF SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

THE CONSOLIDATED AND THE COMPANY'S BALANCE SHEETS - continued
 AT 31 DECEMBER 2024
 (IN RMB, UNLESS OTHERWISE STATED)

LIABILITIES AND SHAREHOLDERS' EQUITY	NOTES	31 December 2024 The Consolidated	31 December 2023 The Consolidated	31 December 2024 The Company	31 December 2023 The Company
Current Liabilities					
Short-term borrowings	(IV)27	38,064,098,967.71	35,560,499,735.45	1,692,970,602.62	1,000,615,694.44
Derivative financial liabilities	(IV)3	1,598,178.46	2,316,492.78	-	-
Notes payable	(IV)28	9,241,133,347.89	6,717,443,536.29	-	-
Accounts payable	(IV)29	50,241,787,131.40	47,915,010,730.47	45,377,268.08	50,296,941.37
Contract liabilities	(IV)30	1,562,036,773.57	1,970,690,132.08	20,097,189.17	20,097,189.17
Employee benefits payable	(IV)31	1,796,347,060.73	1,783,979,964.70	109,781,309.99	70,389,607.55
Taxes payable	(IV)32	1,264,015,312.92	1,217,172,193.69	1,373,466.06	3,203,907.77
Other payables	(IV)33	16,797,359,516.09	17,949,353,893.39	14,909,584,759.17	16,243,695,968.21
Including: Dividends payable		381,062,451.26	247,130,022.22	-	-
Non-current liabilities due within one year	(IV)35	842,162,528.36	2,963,475,811.09	31,247,571.45	36,320,746.49
Other current liabilities	(IV)36	6,227,847,461.97	6,291,936,544.95	6,031,879,726.03	6,051,321,311.48
Total Current Liabilities		126,038,386,279.10	122,371,879,034.89	22,842,311,892.57	23,475,941,366.48
Non-current Liabilities					
Long-term borrowings	(IV)37	8,331,334,115.57	5,786,154,730.58	2,896,400,000.00	4,363,420,000.00
Lease liabilities	(IV)38	1,396,299,515.58	1,550,076,681.63	20,882,387.70	25,366,462.03
Long-term payables	(IV)39	9,153,417.88	8,163,467.74	-	-
Long-term employee benefits payable	(IV)41	39,161,175.37	38,884,169.72	-	-
Provisions	(IV)34	36,025,175.59	39,585,088.27	-	-
Deferred income	(IV)40	550,991,222.67	633,481,321.72	35,676,880.07	103,982,549.86
Deferred tax liabilities	(IV)24	816,452,826.21	1,015,820,143.36	5,859,736.77	5,859,736.77
Other non-current liabilities	(IV)42	249,262,699.13	202,396,163.96	-	-
Total Non-current Liabilities		11,428,680,148.00	9,274,561,766.98	2,958,819,004.54	4,498,628,748.66
TOTAL LIABILITIES		137,467,066,427.10	131,646,440,801.87	25,801,130,897.11	27,974,570,115.14
SHAREHOLDERS' EQUITY					
Share capital	(IV)43	3,707,971,839.00	3,703,301,054.00	3,707,971,839.00	3,703,301,054.00
Capital reserve	(IV)44, (XIV)4	29,647,771,271.51	29,187,649,155.53	32,479,270,792.86	32,391,530,937.71
Other comprehensive income	(IV)45, (XIV)5	(534,279,925.88)	(496,089,430.12)	(420,774.15)	(390,780.10)
Surplus reserve	(IV)46	2,306,949,383.63	2,306,949,383.63	1,931,158,581.45	1,931,158,581.45
Retained profits	(IV)47, (XIV)6	36,547,207,403.71	33,822,332,888.31	2,333,058,032.95	2,074,708,835.61
Total equity attributable to shareholders of the Company		71,675,619,971.97	68,524,143,051.35	40,451,038,472.11	40,100,308,628.67
Minority interests		12,066,743,749.10	11,801,949,913.58	N/A	N/A
TOTAL SHAREHOLDERS' EQUITY		83,742,363,721.07	80,326,092,964.93	40,451,038,472.11	40,100,308,628.67
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		221,209,430,148.17	211,972,533,766.80	66,252,169,369.22	68,074,878,743.81

The accompanying notes form an integral part of these financial statements.

Legal representative: Yang Qiuhua Principal in charge of accounting: Shen Bo Head of accounting department: Shen Bo

SHAREHOLDERS OF SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

THE CONSOLIDATED AND THE COMPANY'S INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024
(IN RMB, UNLESS OTHERWISE STATED)

ITEMS	NOTES	2024	2023	2024	2023
		The Consolidated	The Consolidated	The Company	The Company
I. Operating income	(IV)48, (XIV)7	275,250,934,889.66	260,295,088,943.53	249,622,461.53	225,245,410.70
Less: Operating costs	(IV)48, (IV)54, (XIV)7	(244,619,261,051.98)	(228,966,947,001.24)	(43,796,164.43)	(61,412,367.19)
Taxes and levies	(IV)49	(777,882,162.93)	(738,106,426.32)	(806,795.40)	(1,458,251.53)
Selling expenses	(IV)50, (IV)54	(12,713,976,431.27)	(13,902,191,503.50)	-	-
Administrative expenses	(IV)51, (IV)54	(5,689,841,057.16)	(5,711,827,446.09)	(270,494,752.66)	(280,504,975.43)
R&D expenses	(IV)52, (IV)54	(2,394,433,810.21)	(2,204,033,687.43)	(544,600,060.14)	(443,000,558.45)
Financial expenses	(IV)53	(1,480,912,176.43)	(1,485,757,647.45)	(231,012,468.96)	(229,673,655.75)
Including: Interest expenses		(1,856,737,428.35)	(1,884,984,092.73)	(292,974,969.76)	(324,197,189.75)
Interest income		522,385,724.64	461,833,287.29	43,587,214.58	86,564,170.48
Add: Other income	(IV)57	634,371,906.48	793,161,586.35	55,809,057.86	23,719,544.45
Investment income (loss)	(IV)58, (XIV)8	380,426,728.73	(68,122,676.68)	2,787,951,802.40	2,092,397,470.21
Including: Income from investments in associates and joint ventures		521,908,993.50	129,328,696.77	67,948,806.46	131,282,533.42
Losses on derecognition of financial assets at amortised cost		(158,721,185.85)	(187,598,478.68)	-	-
Gains from changes in fair value	(IV)59	203,853,796.87	404,731,380.72	62,547,072.08	315,459,526.82
Impairment (losses) gains of credit	(IV)56	(226,162,119.97)	(279,958,650.49)	35,973,304.03	(6,388,850.82)
Impairment losses of assets	(IV)55	(614,373,564.47)	(561,277,474.11)	(25,428,136.44)	(154,799,830.72)
Gains (losses) on disposal of assets	(IV)60	187,967,998.85	92,475,307.03	(323,805.85)	3,222,694.87
II. Operating profit		8,140,712,946.17	7,667,234,704.32	2,075,441,514.02	1,482,806,157.16
Add: Non-operating income	(IV)61	156,399,886.60	40,689,731.27	352,835.48	250,334.68
Less: Non-operating expenses	(IV)62	(277,106,289.03)	(653,627,697.11)	(2,622,997.83)	(1,635,367.15)
III. Total profit		8,020,006,543.74	7,054,296,738.48	2,073,171,351.67	1,481,421,124.69
Less: Income tax expenses	(IV)63	(2,149,995,228.86)	(1,887,726,454.22)	-	-
IV. Net profit		5,870,011,314.88	5,166,570,284.26	2,073,171,351.67	1,481,421,124.69
Classified by the continuity of operations					
Net profit from continuing operations		5,870,011,314.88	5,166,570,284.26	2,073,171,351.67	1,481,421,124.69
Net profit from discontinued operations		-	-	-	-
Classified by the ownership					
Net profit attributable to shareholders of the Company		4,552,528,438.69	3,767,999,581.18	N/A	N/A
Profit or loss attributable to minority interests		1,317,482,876.19	1,398,570,703.08	N/A	N/A
V. Other comprehensive income, net of tax	(IV)45	(62,617,948.59)	(126,719,890.54)	(29,994.05)	(88,544.64)
Other comprehensive income attributable to shareholders of the Company, net of tax		(38,190,495.76)	(124,765,766.20)	(29,994.05)	(88,544.64)
Other comprehensive income that cannot be reclassified subsequently to profit or loss		(11,517,384.50)	(46,070,800.35)	-	-
Changes in fair value of investments in other equity instruments		(11,517,384.50)	(46,070,800.35)	-	-
Other comprehensive income that will be reclassified subsequently to profit or loss		(26,673,111.26)	(78,694,965.85)	(29,994.05)	(88,544.64)
Shares of other comprehensive income of the investee accounted for using equity method that will be reclassified to profit or loss		(3,694,032.31)	(133,309.97)	(29,994.05)	(88,544.64)
Allowance for credit impairment of receivables financing		(469,317.10)	1,099,671.28	-	-
Effective portion of profit or loss from cash flow hedges		(2,221,118.86)	(2,167,445.98)	-	-
Translation differences of financial statements denominated in foreign currencies		(20,288,642.99)	(77,493,881.18)	-	-
Other comprehensive income attributable to minority interests, net of tax		(24,427,452.83)	(1,954,124.34)	-	-
VI. Total comprehensive income		5,807,393,366.29	5,039,850,393.72	2,073,141,357.62	1,481,332,580.05
Total comprehensive income attributable to shareholders of the Company		4,514,337,942.93	3,643,233,814.98	N/A	N/A
Total comprehensive income attributable to minority interests		1,293,055,423.36	1,396,616,578.74	N/A	N/A
VII. Earnings per share	(IV)64				
Basic earnings per share (RMB/share)		1.23	1.02	N/A	N/A
Diluted earnings per share (RMB/share)		1.23	1.02	N/A	N/A

The accompanying notes form an integral part of these financial statements.

Legal representative: Yang Qihua Principal in charge of accounting: Shen Bo Head of accounting department: Shen Bo

SHAREHOLDERS OF SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

THE CONSOLIDATED AND THE COMPANY'S CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024
(IN RMB, UNLESS OTHERWISE STATED)

ITEMS	NOTES	2024 The Consolidated	2023 The Consolidated	2024 The Company	2023 The Company
I. Cash Flows from (Used in) Operating Activities					
Cash receipts from the sale of goods and the rendering of services		301,138,074,959.71	283,639,391,269.47	154,512,623.60	206,151,815.58
Receipts of tax refunds		157,075,769.86	113,743,387.01	-	-
Other cash receipts relating to operating activities	(IV)65(1)	3,355,474,894.37	3,030,275,784.49	348,869,990.91	391,630,682.93
Sub-total of cash inflows from operating activities		304,650,625,623.94	286,783,410,440.97	503,382,614.51	597,782,498.51
Cash payments for goods purchased and services received		(268,134,361,085.34)	(251,978,264,993.59)	(213,518,990.97)	(299,196,642.42)
Cash payments to and on behalf of employees		(10,639,199,652.27)	(9,896,044,336.21)	(370,971,480.86)	(337,781,144.16)
Payments of various types of taxes		(7,327,044,163.21)	(7,497,835,891.88)	(819,650.29)	(1,405,873.53)
Other cash payments relating to operating activities	(IV)65(2)	(12,722,762,991.79)	(12,179,745,492.19)	(373,418,330.03)	(337,830,910.98)
Sub-total of cash outflows from operating activities		(298,823,367,892.61)	(281,551,890,713.87)	(958,728,452.15)	(976,214,571.09)
Net Cash Flow from (Used in) Operating Activities	(IV)66(1)	5,827,257,731.33	5,231,519,727.10	(455,345,837.64)	(378,432,072.58)
II. Cash Flows from (Used in) Investing Activities					
Cash receipts from disposals and recovery of investments	(IV)65(3)	47,809,428,496.41	26,878,643,654.99	47,383,887,000.00	26,853,300,000.00
Cash receipts from investment income		1,346,951,721.68	982,754,122.37	3,349,714,958.94	2,408,968,613.12
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		244,660,546.13	179,147,386.52	-	-
Net cash receipts from disposals of subsidiaries and other business units		-	500,000.00	-	-
Other cash receipts relating to investing activities	(IV)65(5)	1,032,193,865.93	1,268,304,839.07	5,437,742,846.07	3,676,972,050.15
Sub-total of cash inflows from investing activities		50,433,234,630.15	29,309,350,002.95	56,171,344,805.01	32,939,240,663.27
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		(2,400,874,817.19)	(2,970,610,219.58)	(47,433,279.53)	(70,552,556.28)
Cash payments to acquire investments	(IV)65(4)	(45,933,887,000.00)	(27,376,650,000.00)	(45,933,887,000.00)	(27,376,650,000.00)
Net cash payments for acquisitions of subsidiaries and other business units	(IV)66(2)	(85,292,225.34)	(357,077,909.96)	-	(323,300,000.00)
Other cash payments relating to investing activities	(IV)65(6)	(1,597,200,887.93)	(1,096,884,711.93)	(5,769,146,094.91)	(6,813,262,289.09)
Sub-total of cash outflows from investing activities		(50,017,254,930.46)	(31,801,222,841.47)	(51,750,466,374.44)	(34,583,764,845.37)
Net Cash Flow from (Used in) Investing Activities		415,979,699.69	(2,491,872,838.52)	4,420,878,430.57	(1,644,524,182.10)
III. Cash Flows from (Used in) Financing Activities					
Cash receipts from capital contributions		86,196,122.60	354,277,173.14	86,196,122.60	106,419,433.12
Including: Cash receipts from capital contributions from minority shareholders of subsidiaries		-	247,857,740.02	-	-
Cash receipts from borrowings		61,928,229,561.85	64,196,587,074.89	1,692,470,326.00	7,726,260,000.00
Cash receipts from issue of bonds		11,997,222,500.01	14,996,763,333.32	11,997,222,500.01	14,996,763,333.32
Other cash receipts relating to financing activities	(IV)65(7)	137,374,213.51	164,138,149.09	-	873,044,067.25
Sub-total of cash inflows from financing activities		74,149,022,397.97	79,711,765,730.44	13,775,888,948.61	23,702,486,833.69
Cash repayments of borrowings		(70,102,029,449.94)	(72,338,337,862.02)	(14,467,020,000.00)	(19,702,200,000.00)
Cash payments for distribution of dividends or profits or settlement of interest expenses		(4,309,892,169.51)	(4,915,917,995.46)	(2,119,489,482.57)	(2,584,869,621.77)
Including: Payments for distribution of dividends or profits to minority shareholders of subsidiaries		(706,216,464.59)	(934,712,519.71)	-	-
Other cash payments relating to financing activities	(IV)65(8)	(1,601,031,157.18)	(2,225,658,982.23)	(31,802,180.24)	(59,164,560.43)
Sub-total of cash outflows from financing activities		(76,012,952,776.63)	(79,479,914,839.71)	(16,618,311,662.81)	(22,346,234,182.20)
Net Cash Flow (Used in) from Financing Activities		(1,863,930,378.66)	231,850,890.73	(2,842,422,714.20)	1,356,252,651.49
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		2,156,741.31	(5,580,083.93)	1,642.99	112,041.57
V. Net Increase (Decrease) in Cash and Cash Equivalents	(IV)66(1)	4,381,463,793.67	2,965,917,695.38	1,123,111,521.72	(666,591,561.62)
Add: Opening balance of cash and cash equivalents		27,499,809,001.20	24,533,891,305.82	7,929,731,394.02	8,596,322,955.64
VI. Closing Balance of Cash and Cash Equivalents	(IV)66(4)	31,881,272,794.87	27,499,809,001.20	9,052,842,915.74	7,929,731,394.02

The accompanying notes form an integral part of these financial statements.

Legal representative: Yang Qiuhua Principal in charge of accounting: Shen Bo Head of accounting department: Shen Bo

SHAREHOLDERS OF SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

THE CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2024
(IN RMB, UNLESS OTHERWISE STATED)

ITEMS	NOTES	Attributable to shareholders of the Company						Minority interests	Total shareholders' equity
		Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Surplus reserve	Retained profits		
Balance at 1 January 2023		3,697,546,172.00	29,098,103,770.87	-	(371,323,663.92)	2,158,807,271.16	32,479,872,339.12	10,939,445,168.20	78,002,451,057.43
Changes for the year		5,754,882.00	89,545,384.66	-	(124,765,766.20)	148,142,112.47	1,342,460,549.19	862,504,745.38	2,323,641,907.50
Total comprehensive income									
Net profit	(IV)47	-	-	-	-	-	3,767,999,581.18	1,398,570,703.08	5,166,570,284.26
Other comprehensive income	(IV)45	-	-	-	(124,765,766.20)	-	-	(1,954,124.34)	(126,719,890.54)
Total comprehensive income		-	-	-	(124,765,766.20)	-	3,767,999,581.18	1,396,616,578.74	5,039,850,393.72
Shareholders' contributions and reduction in capital									
Capital contributions from shareholders	(IV)43	5,754,882.00	134,654,278.37	-	-	-	-	231,857,740.02	372,266,900.39
Share-based payments recognised in shareholders' equity	(IV)44	-	(29,421,342.76)	-	-	-	-	-	(29,421,342.76)
Others	(IV)44	-	(15,687,550.95)	-	-	-	-	51,157,482.28	35,469,931.33
Profit distribution									
Transfer to surplus reserve	(IV)46	-	-	-	-	148,142,112.47	(148,142,112.47)	-	-
Distribution to shareholders	(IV)47	-	-	-	-	-	(2,258,992,103.23)	(799,090,919.87)	(3,058,083,023.10)
Others	(IV)47	-	-	-	-	-	(18,404,816.29)	(18,036,135.79)	(36,440,952.08)
Balance at 31 December 2023		3,703,301,054.00	29,187,649,155.53	-	(496,089,430.12)	2,306,949,383.63	33,822,332,888.31	11,801,949,913.58	80,326,092,964.93
Balance at 1 January 2024		3,703,301,054.00	29,187,649,155.53	-	(496,089,430.12)	2,306,949,383.63	33,822,332,888.31	11,801,949,913.58	80,326,092,964.93
Changes for the year		4,670,785.00	460,122,115.98	-	(38,190,495.76)	-	2,724,874,515.40	264,793,835.52	3,416,270,756.14
Total comprehensive income									
Net profit	(IV)47	-	-	-	-	-	4,552,528,438.69	1,317,482,876.19	5,870,011,314.88
Other comprehensive income	(IV)45	-	-	-	(38,190,495.76)	-	-	(24,427,452.83)	(62,617,948.59)
Total comprehensive income		-	-	-	(38,190,495.76)	-	4,552,528,438.69	1,293,055,423.36	5,807,393,366.29
Shareholders' contributions and reduction in capital									
Capital contributions from shareholders	(IV)43	4,670,785.00	115,667,542.76	-	-	-	-	-	120,338,327.76
Share-based payments recognised in shareholders' equity	(IV)44	-	(33,635,156.50)	-	-	-	-	-	(33,635,156.50)
Others	(IV)44	-	378,089,729.72	-	-	-	-	(134,184,566.63)	243,905,163.09
Profit distribution									
Transfer to surplus reserve	(IV)46	-	-	-	-	-	-	-	-
Distribution to shareholders	(IV)47	-	-	-	-	-	(1,814,822,154.33)	(881,529,903.66)	(2,696,352,057.99)
Others	(IV)47	-	-	-	-	-	(12,831,768.96)	(12,547,117.55)	(25,378,886.51)
Balance at 31 December 2024		3,707,971,839.00	29,647,771,271.51	-	(534,279,925.88)	2,306,949,383.63	36,547,207,403.71	12,066,743,749.10	83,742,363,721.07

The accompanying notes form an integral part of these financial statements.

Legal representative: Yang Qihua

Principal in charge of accounting: Shen Bo

Head of accounting department: Shen Bo

SHAREHOLDERS OF SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

THE COMPANY'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2024
(IN RMB, UNLESS OTHERWISE STATED)

ITEMS	NOTES	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Surplus reserve	Retained profits	Total shareholders' equity
Balance at 1 January 2023		3,697,546,172.00	32,275,668,338.76	-	(302,235.46)	1,783,016,468.98	3,000,421,926.62	40,756,350,670.90
Changes for the year		5,754,882.00	115,862,598.95	-	(88,544.64)	148,142,112.47	(925,713,091.01)	(656,042,042.23)
Total comprehensive income								
Net profit	(XIV)6	-	-	-	-	-	1,481,421,124.69	1,481,421,124.69
Other comprehensive income	(XIV)5	-	-	-	(88,544.64)	-	-	(88,544.64)
Total comprehensive income		-	-	-	(88,544.64)	-	1,481,421,124.69	1,481,332,580.05
Shareholders' contributions and reduction in capital								
Capital contributions from shareholders		5,754,882.00	134,654,278.37	-	-	-	-	140,409,160.37
Share-based payments recognised in shareholders' equity	(XIV)4	-	(29,421,342.76)	-	-	-	-	(29,421,342.76)
Others	(XIV)4	-	10,629,663.34	-	-	-	-	10,629,663.34
Profit distribution								
Transfer to surplus reserve	(XIV)6	-	-	-	-	148,142,112.47	(148,142,112.47)	-
Distribution to shareholders	(XIV)6	-	-	-	-	-	(2,258,992,103.23)	(2,258,992,103.23)
Balance at 31 December 2023		3,703,301,054.00	32,391,530,937.71	-	(390,780.10)	1,931,158,581.45	2,074,708,835.61	40,100,308,628.67
Balance at 1 January 2024		3,703,301,054.00	32,391,530,937.71	-	(390,780.10)	1,931,158,581.45	2,074,708,835.61	40,100,308,628.67
Changes for the year		4,670,785.00	87,739,855.15	-	(29,994.05)	-	258,349,197.34	350,729,843.44
Total comprehensive income								
Net profit	(XIV)6	-	-	-	-	-	2,073,171,351.67	2,073,171,351.67
Other comprehensive income	(XIV)5	-	-	-	(29,994.05)	-	-	(29,994.05)
Total comprehensive income		-	-	-	(29,994.05)	-	2,073,171,351.67	2,073,141,357.62
Shareholders' contributions and reduction in capital								
Capital contributions from shareholders		4,670,785.00	115,667,542.76	-	-	-	-	120,338,327.76
Share-based payments recognised in shareholders' equity	(XIV)4	-	(33,635,156.50)	-	-	-	-	(33,635,156.50)
Others	(XIV)4	-	5,707,468.89	-	-	-	-	5,707,468.89
Profit distribution								
Transfer to surplus reserve	(XIV)6	-	-	-	-	-	-	-
Distribution to shareholders	(XIV)6	-	-	-	-	-	(1,814,822,154.33)	(1,814,822,154.33)
Balance at 31 December 2024		3,707,971,839.00	32,479,270,792.86	-	(420,774.15)	1,931,158,581.45	2,333,058,032.95	40,451,038,472.11

The accompanying notes form an integral part of these financial statements.

Legal representative: Yang Qihua

Principal in charge of accounting: Shen Bo

Head of accounting department: Shen Bo

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024
(IN RMB, UNLESS OTHERWISE STATED)

(I) BASIC INFORMATION ABOUT THE COMPANY

Shanghai Pharmaceuticals Holding Co., Ltd. (the "Company") was formerly known as Shanghai No. 4 Pharmaceutical Co., Ltd. ("No. 4 Pharmaceutical"). In October 1993, Shanghai Pharmaceutical (Group) Corporation, now known as Shanghai Pharmaceutical (Group) Co., Ltd. ("Shanghai Pharma Group") initiated solely and issued 15,000,000 ordinary shares (A shares) to public with par value of RMB1 per share upon the approval of the Hu Zheng Ban (1993) No. 119, a document issued by Shanghai Securities Management Office. After that, No. 4 Pharmaceutical was established through fundraising on 18 January 1994. On 24 March 1994, shares of No. 4 Pharmaceutical were listed on the Shanghai Stock Exchange, the stock code of which was 600849. In 1998, No. 4 Pharmaceutical was renamed as Shanghai Pharmaceutical Co., Ltd.

Pursuant to the "Approval on Shanghai Pharmaceutical Co., Ltd. Issuing Shares to Purchase Assets from Shanghai Pharmaceutical (Group) Co., Ltd. and Merging with Shanghai Industrial Pharmaceutical Investment Co. Ltd. and Shanghai Zhongxi Pharmaceutical Co. Ltd." (Zheng Jian Xu Ke [2010] No.132 document) issued by China Securities Regulatory Commission ("CSRC"), the Company merged with Shanghai Industrial Pharmaceutical Investment Co. Ltd. ("Shangshi Pharmaceutical") and Shanghai Zhongxi Pharmaceutical Co. Ltd. ("Zhongxi Pharmaceutical"), and issued shares to purchase pharmaceutical assets from Shanghai Pharma Group, and issued shares to raise funds from Shanghai Shangshi (Group) Co., Ltd. ("Shanghai Shangshi") and used the funds to purchase the pharmaceutical assets from Shanghai Industrial Holdings Limited ("Shangshi Holdings"). After the completion of above significant asset restructuring, the total share capital of the Company was increased to 1,992,643,338 shares. Shanghai Pharmaceutical Co., Ltd. was renamed as Shanghai Pharmaceuticals Holding Co., Ltd.. The Company's stock code was changed from 600849 to 601607. The Company's shares were referred to as "Shanghai Pharmaceuticals".

As at 17 June 2011, the Company has completed the issuance of 696,267,200 shares (including 32,053,200 shares of over allotment) listed overseas (H shares) at RMB1 per share to overseas investors. The shares were listed on the Stock Exchange of Hong Kong Limited on 20 May 2011, the stock code of which was 02607, and the shares were referred to as "Shanghai Pharmaceuticals".

On 26 January 2018, the Company issued 153,178,784 H shares to overseas investors, and was listed on the Stock Exchange of Hong Kong.

Pursuant to the "Approval on the Non-public Issuance of Shares by Shanghai Pharmaceuticals Holding Co., Ltd." (Zheng Jian Xu Ke [2022] No. 584 document) issued by CSRC on 22 March 2022, the Company was approved to issue 852,626,796 A shares to Yunnan Baiyao Group Co., Ltd. and Shanghai Tandong Enterprise Consulting Service Co., Ltd. (hereinafter referred to as "Shanghai Tandong") at RMB16.39 per share. On 25 March 2022, Yunnan Baiyao and Shanghai Tandong completed the non-public issuance payments. PricewaterhouseCoopers Zhong Tian LLP has issued a report, PwC ZT Yan Zi (2022) No. 0271, for capital verification. As at 8 April 2022, the Company completed the share registration of non-public issuance of A shares.

As at 31 December 2024, according to the stock option incentive plan, the Company has totally issued 13,255,721 A shares, with 12,754,090 shares at an exercise price of RMB18.41 per share and 501,631 shares at an exercise price of RMB20.16 per share.

On 31 December 2024, the Company's share capital was RMB3,707,971,839.00, with a total number of 3,707,971,839 shares, with 2,788,899,135 RMB-denominated ordinary shares (A shares) listed in China and 919,072,704 overseas listed foreign shares (H shares).

The unified social credit code of the Company is 9131000013358488X7; the legal representative is Yang Qiuhua; the place of registration is No. 92 Zhangjiang Road, China (Shanghai) Pilot Free Trade Zone; headquarters of the Company is Shanghai Pharmaceutical Building, No.200 Taicang Road, Shanghai; industry of the Company is pharmaceuticals.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024
(IN RMB, UNLESS OTHERWISE STATED)

(I) BASIC INFORMATION ABOUT THE COMPANY - continued

Business operations of the Company and its subsidiaries (collectively, "the Group") are mainly as follows:

- research and development, manufacturing and sale of a broad range of pharmaceutical and healthcare products;
- distribution, warehousing, logistics and other value-added pharmaceutical supply chain solutions and related services to pharmaceutical manufacturers and dispensers, such as hospitals, distributors and retail pharmacies; and
- operation and franchising of a network of retail pharmacy stores.

The parent company of the Company is Shanghai Pharmaceutical Group, Shanghai. Shangshi is a state-owned enterprise, and its actual controller is Assets Supervision and Administration Commission of Shanghai Municipal Government ("SASAC"). Shanghai Shangshi is the controlling shareholder of Shanghai Pharma Group and Shanghai Tandong. Shanghai Industrial Investment (Holdings) Co., Ltd. ("SIIC") is registered in Hong Kong, and its actual controller is SASAC. SIIC is authorised to manage Shanghai Shangshi by SASAC. SIIC indirectly holds equity interests in the Company through its subordinate companies, Shanghai Shangshi, Shanghai Tandong and Shanghai Pharmaceutical Group, and SIIC is the ultimate holding company of the Company.

Significant subsidiaries which are included in the scope of consolidation in the current year are disclosed in Note (V).

The financial statements were authorised for issue by the Board of Directors of the Company on 27 March 2025.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Group applies the accounting policies and accounting estimates based on its business operating characteristics, including allowance for expected credit loss ("ECL") on accounts receivables (Note (II) 10), valuation of inventories (Note (II)11), valuation of investment properties (Note (II)13), depreciation of fixed assets and amortisation of intangible assets and right-of-use assets (Note (II)14, Note (II)18, Note (II)27), recognition and measurement of revenue (Note (II)24), etc.

Significant judgements, accounting estimates and key assumptions to determine the significant accounting policies are disclosed in Note (II)32.

1. Basis of preparation of financial statements

The financial statements are prepared in accordance with the Accounting Standard for Business Enterprises - Basic Standard, as well as the specific accounting standards and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods (collectively, "the Accounting Standard for Business Enterprises"), while follow the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15 - General Rules on Financial Reporting (2023 Revised) issued by CSRC to disclose relevant financial information.

The financial statements have been prepared on a going concern basis.

The new Hong Kong Companies Ordinance has come into force since 3 March 2014. Certain disclosures in the financial statements have been included to reflect the requirements under the new Hong Kong Companies Ordinance.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024
(IN RMB, UNLESS OTHERWISE STATED)

(II) **SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

2. Statement of compliance with the Accounting Standards for Business Enterprises ("ASBE")

The financial statements of the Company for the year ended 31 December 2024 have been prepared in accordance with the ASBE, and present truly and completely, the consolidated and the Company's financial position as at 31 December 2024, the consolidated and the Company's results of operations, and the consolidated and the Company's cash flows for the year then ended.

3. Accounting period

The Group has adopted the calendar year as its accounting year, i.e. from 1 January to 31 December.

4. Functional currency

The Company's functional currency is Renminbi (RMB). The functional currency of the Company's subsidiaries is determined based on the primary economic environment in which they operate. The financial statements are presented in RMB.

5. Methodology for determining materiality and basis for selection

Item	Criteria for materiality
Significant construction in progress for the year	The amount is more than RMB30 million at the beginning or end of the year
Significant non-wholly owned subsidiaries for the year	Net assets attributable to minority shareholders account for more than 1% of the Group's net assets
Significant joint ventures or associates for the year	Investment income under the equity method accounts for more than 1% of the Group's net profit

6. Business combinations

6.1 Business combinations involving enterprises under common control

The consideration paid and net assets obtained by the Group in a business combination are measured at the carrying amount. If the merged party was acquired by the final control party from a third party in the previous year, then the consideration was measured based on carrying amount of assets and liabilities of the merged party (including the goodwill arising from acquisition by the final control party) in the final control party's consolidated financial statements. The difference between the carrying amount of the net assets obtained from the combination and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital reserve (share premium). If the capital reserve (share premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

6.2 Business combinations not involving enterprises under common control

The cost of combination and identifiable net assets obtained by the Group in a business combination are measured at fair value at the acquisition date. Where the cost of the combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill; where the cost of combination is lower than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the current period. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

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(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

6. Business combinations - continued

6.2 Business combinations not involving enterprises under common control - continued

When the Group becomes capable of exercising control over an investee not under common control due to additional investment or other reasons, the equity interest held in the acquiree before the acquisition date shall be remeasured at fair value on the acquisition date, with any difference between fair value and carrying amount recognised as investment income in the current period. Where the equity interest held in the acquiree before the acquisition date relates to other comprehensive income measured under the equity method and other changes in owners' equity except net profit or loss, other comprehensive income and profit distribution ("other changes in owners' equity"), corresponding other comprehensive income and other changes in owners' equity (excluding other comprehensive income from changes arising from remeasurement on net liabilities or net assets of defined benefit plans of the acquiree or from changes in fair value of investments in other equity instruments) shall be transferred to income for the period in which the acquisition date falls.

7. Preparation of consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and all its subsidiaries.

Subsidiaries are consolidated from the date on which the Group obtains control and are de-consolidated from the date that such control ceases. For a subsidiary that is acquired in a business combination involving enterprises under common control, it is included in the consolidated financial statements from the date when it, together with the Company, comes under common control of the ultimate controlling party. The portion of the net profits realised before the combination date is presented separately in the consolidated income statement.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods of the Company and subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted in accordance with the accounting policies and the accounting period of the Company. For subsidiaries acquired from business combinations not involving enterprises under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

All significant intra-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of subsidiaries' shareholders' equity and the portion of subsidiaries' net profits and losses and comprehensive income for the period not attributable to the Company are recognised as minority interests, net profit attributed to minority interests and total comprehensive income attributed to minority interests, and presented separately in the consolidated financial statements under shareholders' equity, net profits and total comprehensive income respectively. If the loss of current period shared by the minority shareholders of a subsidiary exceeds the minority shareholders' share of the beginning balance of owners' equity of the subsidiary, the balance shall be offset against the minority shareholders' equity. Unrealised profits and losses resulting from the sale of assets by the Company to its subsidiaries are fully eliminated against net profit attributable to shareholders of the parent. Unrealised profits and losses resulting from the sale of assets by a subsidiary to the Company are eliminated and allocated between net profit attributable to shareholders of the parent and net profit attributed to minority interests in accordance with the allocation proportion of the parent in the subsidiary. Unrealised profits and losses resulting from the sale of assets by one subsidiary to another are eliminated and allocated between net profit attributable to shareholders of the parent and net profit attributed to minority interests in accordance with the allocation proportion of the parent in the subsidiary.

If the accounting treatment of a transaction is inconsistent in the financial statements at the Group level and at the Company or its subsidiary level, adjustment will be made from the perspective of the Group.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

7. Preparation of consolidated financial statements - continued

The difference between additional long-term equity investments for purchase of minority interests in subsidiaries and shares of net assets calculated at the proportion of increased part of shares which the Group is entitled to as of the date of purchase or consolidation is treated as an adjustment to capital reserve (share premium). If the capital reserve (share premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings. Under the circumstance that the Group partially disposed its long-term equity investments in subsidiaries without losing control, the difference between disposal proceeds and shares of net assets which the Group is entitled to from disposal of long-term equity investments is treated as an adjustment to capital reserve (share premium) in the consolidated financial statements. If the capital reserve (share premium) is not sufficient to cover the difference, retained earnings are adjusted.

If an enterprise loses control over an investee due to the disposal of a portion of equity investment or other reasons, the remaining equity investment shall be remeasured at fair value in the consolidated financial statements at the date when control is lost. The sum of consideration received from the disposal of equity investment and the fair value of the remaining equity investment, net of the sum of the share of net assets of the former subsidiary based on continuous calculation since the acquisition date at previous proportion of shareholding and goodwill, is recognised as investment income for the current period when the control is lost. The other comprehensive income related to the original subsidiary is included in investment income for the current period or retained earnings at the date of losing control.

8. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily withdrawn on demand, and short-term (generally due within three months from the acquisition date), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

9. Foreign currency translation

9.1 Transactions denominated in foreign currencies

Transactions denominated in foreign currencies are translated into functional currency using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into functional currency using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognised in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for acquisition or construction of qualifying assets, which are capitalised as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

9.2 Translation of financial statements denominated in foreign currencies

The asset and liability items in the balance sheets for overseas operations are translated at the spot exchange rates on the balance sheet date. Among the shareholders' equity items, the items other than "retained profits" are translated at the spot exchange rates of the transaction dates. The income and expense items in the income statements of overseas operations are translated at the spot exchange rates of the transaction dates. The differences arising from the above translation are presented in other comprehensive income. The cash flows of overseas operations are translated at the spot exchange rates on the dates of the cash flows. The effect of exchange rate changes on cash is presented separately in the cash flow statements.

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(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

10. Financial instruments

A financial instrument refers to any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another. The Group recognises a financial asset, a financial liability or equity instrument when the Group becomes a party to the contractual provisions of the financial instrument.

10.1 Financial assets

10.1.1 Classification and measurement

Based on the entity's business model for managing the financial assets and the contractual terms of the cash flows, the Group classifies its financial assets in the following measurement categories: 1) financial assets at amortised cost; 2) financial assets at fair value through other comprehensive income ("FVTOCI"); and 3) financial assets at fair value through profit or loss ("FVTPL").

Financial assets are initially measured at fair value. For financial assets at FVTPL, transaction costs are immediately recognised in profit or loss. For other financial assets, transaction costs are included in their initial recognised amounts. The Group measures accounts receivable and notes receivable arising from sales of goods or provision of services based on the consideration that the Group is expected to be entitled, if the notes receivable and accounts receivable do not contain a significant financing component.

10.1.1.1 Debt instruments

Debt instruments held by the Group are instruments that meet the definition of financial liabilities from the perspective of the issuers, and are measured by the following three ways:

At amortised cost:

A financial asset is measured at amortised cost if both of the following conditions are met: it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income of such financial asset is calculated by using the effective interest method. Such financial assets mainly include cash and bank balances, notes receivable, accounts receivable, other receivables, debt investments and long-term receivables, etc. Debt investments and long-term receivables due within one year (inclusive) at the balance sheet date are presented as non-current assets due within one year; debt investments with maturities within one year (inclusive) at acquiring date are presented as other current assets.

At FVTOCI:

A financial asset is measured at FVTOCI if both of the following conditions are met: it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. If a financial asset is measured at FVTOCI, all changes in fair value should be included in other comprehensive income, except for the recognition of impairment gains or losses, foreign exchange gains and losses, and interest income calculated with the effective interest method, which are recognised in profit or loss. Such financial assets are presented as other debt investments. The debt investments with maturity within one year (inclusive) since the balance sheet date are presented as non-current assets due within one year; at acquiring date, debts investments with maturity within one year (inclusive) are presented as other current assets and receivables financing.

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(II) **SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

10. Financial instruments - continued

10.1 Financial assets - continued

10.1.1 Classification and measurement - continued

10.1.1.1 Debt instruments - continued

At FVTPL:

If the financial asset does not meet the criteria for amortised cost or FVTOCI, it is measured at FVTPL. At initial recognition, the Group designates part of financial assets as measured at FVTPL in order to eliminate or significantly reduce an accounting mismatch. The financial assets with maturity more than one year and expected to be held for more than one year are presented as other non-current financial assets, and others are presented as held-for-trading financial assets.

10.1.1.2 Equity instruments

The Group measures its equity instruments that have no control, joint control or significant influence at FVTPL and presents such equity instruments as held-for-trading financial assets. The financial assets expected to be held for more than one year since the balance sheet date are presented as other non-current financial assets.

Besides, the Group designates part of financial assets which are not held for trading at FVTOCI and presents them as investments in other equity instruments. The dividend income is recognised in profit or loss.

10.1.2 Impairment

For financial asset at amortised cost, debt investments at FVTOCI, contract assets, lease receivable, financial liabilities that are not at FVTPL and financial guarantee contracts that are not qualified for derecognition due to the transfer of financial assets or financial liabilities arising from continuing involvement of the transferred financial assets, the Group accounts for the impairment and recognises the loss allowance on the basis of expected credit loss ("ECL").

Giving consideration to reasonable and supportable information on past events, current conditions and forecasts of future economic conditions, and using default risk as weight, the Group recognises the ECL as the probability-weighted amount of the present value of the difference between the cash flows receivable from the contract and the cash flows expected to collect.

For notes receivable, accounts receivable, receivables financing and contract assets arising from the sales of goods and rendering of services in the ordinary course of operating activities, the Group recognises the lifetime ECL regardless of whether a significant financing component exists. For lease receivable, the Group measures the loss allowance according to the lifetime ECL.

At each balance sheet date, the ECL of financial instruments other than aforesaid notes receivable, accounts receivable, receivables financing, contract assets and lease receivable are measured based on different stages. A 12-month ECL allowance is recognised for financial instruments in Stage 1, that have not had a significant increase in credit risk since initial recognition, lifetime ECL allowance is recognised for financial instruments in Stage 2, that have had a significant increase in credit risk without credit impairment since initial recognition, and lifetime ECL allowance is recognised for financial instruments in Stage 3, that have had a credit impairment since initial recognition.

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(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

10. Financial instruments - continued

10.1 Financial assets - continued

10.1.2 Impairment - continued

For the financial instruments with low credit risk as at the balance sheet date, the Group assumes there is no significant increase in credit risk since initial recognition. The Group determines them as the financial instruments in Stage 1 and recognises the 12-month ECL allowance.

For the financial instruments in Stage 1 and Stage 2, the Group calculates the interest income by applying the effective interest rate to the gross carrying amount (before net of ECL allowance). For the financial instruments in Stage 3, the interest income is calculated by applying the effective interest rate to the amortised cost (net of ECL allowance).

10.1.2.1 Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- (1) An actual or expected significant change in the financial instrument's external credit rating;
- (2) An actual or expected decrease in the internal credit rating for the debtor;
- (3) Adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- (4) An actual or expected significant change in the operating results of the debtor;
- (5) Significant adverse changes in regulatory, economic, or technological environment of the debtor;
- (6) Significant changes in the value of collaterals or the quality of guarantees or credit enhancements provided by third parties, which are expected to reduce the debtor's economic motives to repay within the time limit specified in contract or affect the probability of default;
- (7) Significant changes in expected performance and repayment of the debtor;

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly when contractual payments are more than 30 days (inclusive) past due.

10.1.2.2 Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (1) Significant financial difficulty of the issuer or debtor;
- (2) It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

Irrespective of the outcome of the above assessment, the Group presumes that an event of default on the financial instrument has occurred if the contractual payment of the financial instrument has been more than 90 days (inclusive) past due, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

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(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

10. Financial instruments - continued

10.1 Financial assets - continued

10.1.2 Impairment - continued

10.1.2.3 Determination of ECL

The various types of financial assets that are calculated for ECL on an individual basis have credit risk characteristics that are significantly different from those of other financial assets in the same category. In cases where the ECL of an individually assessed financial asset cannot be evaluated with reasonable cost, the Group categorises the receivables into different groups based on their shared risk characteristics, and calculates the ECL for each group respectively. The basis for the determination of grouping and the method of provision are as follows:

Group 1	Accounts receivable aging, taken initial recognition time as aging calculation start
Group 2	Notes receivable - bank acceptances
Group 3	Notes receivable - commercial acceptances
Group 4	Receivables financing
Group 5	Compensation receivable from suppliers
Group 6	Guarantees (including deposits)
Group 7	Other receivables
Group 8	Amount due from subsidiaries

For accounts receivable, notes receivable and receivables financing resulting from transactions of daily operations such as sales of goods and provision of services on grouping basis, the Group considers the historical credit loss experience, current situation and forecasts of economic conditions to measure the ECL based on exposure at default and lifetime ECL ratio.

For notes receivable, receivables financing not resulting from transactions of daily operation, other receivables and long-term receivables in groups, the Group considers the historical credit loss experience, current situation, and forecasts of economic conditions to measure the ECL based on exposure at default and 12-month or lifetime ECL ratio.

Loss allowance (and reversal of loss allowance) are recognised in profit or loss. For debt investments measured at FVTOCI, the Group recognises loss allowance (and reversal of loss allowance) in profit or loss and adjusts other comprehensive income in the meanwhile.

10.1.3 Derecognition

The Group derecognises a financial asset if one of the following conditions is satisfied: (1) the contractual rights to the cash flows from the financial asset expire; or (2) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee; or (3) the financial asset has been transferred and the Group has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

On derecognition of investments in other equity instruments, the difference between the carrying amount and the sum of the consideration received and the accumulated changes in fair value recognised directly in other comprehensive income, shall be transferred to retained earnings. On derecognition of other financial assets, the difference between the carrying amount and the sum of the consideration received and the accumulated changes recognised in other comprehensive income, shall be recognised in profit or loss.

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(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

10. Financial instruments - continued

10.2 Financial liabilities

Financial liabilities are classified into financial liabilities at amortised cost and financial liabilities at FVTPL at initial recognition.

The financial liabilities of the Group are mainly measured at amortised cost, including notes payable, accounts payable, other payables, borrowings, bonds payable and long-term payables, etc. These financial liabilities are measured at its fair value minus transaction costs at initial recognition and subsequently measured using effective interest rate method. Financial liabilities with maturity within one year (inclusive) are presented as current liabilities. Financial liabilities with maturity more than one year but due within one year (inclusive) since the balance sheet date are presented as non-current liabilities due within one year. Other financial liabilities are presented as non-current liabilities.

A financial liability is derecognised or partly derecognised when the current obligation is discharged or partly discharged. The difference between the carrying amount of the derecognised part of the financial liability and the consideration paid is recognised in profit or loss.

10.3 Determination of fair value of financial instruments

The fair value of a financial instrument that is traded in an active market is based on quoted market prices at the balance sheet date. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique when it is applicable under current conditions and there are enough available data and other information to support. Those inputs should be consistent with the inputs that a market participant would use when pricing the asset or liability, and should maximise the use of relevant observable inputs. When related observable inputs cannot be acquired or are not feasible to be acquired, then unobservable inputs are used.

11. Inventories

11.1 Classification

Inventories include raw materials, turnover materials, finished goods, work in progress, consigned processing materials and consumable biological assets, which are measured at the lower of cost and net realisable value.

11.2 Valuation method of inventories upon delivery

Cost is determined using the first-in-first-out method or weighted average method. The Company uses the individual valuation method to determine the cost of inventories that cannot be used as substitutes and that are purchased or manufactured specifically for a specific project. The cost of finished goods and work in progress comprise raw materials, direct labour and systematically allocated production overhead based on the normal production capacity.

11.3 Basis for determining net realisable value of inventories and provision methods for decline in value of inventories

Provision for decline in the value of inventories is determined at the excess amount of the carrying amounts of the inventories over their net realisable value. Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale and related taxes. For inventories that are produced and sold in the same region and have the same or similar use, the Group makes a consolidated provision for inventory valuation. For finished goods, the Group makes provision for decline in value of inventories based on factors such as the period of near expiration, state of storage, historical sales discounts and expected future sales.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

11. Inventories - continued

11.4 The Group adopts the perpetual inventory system.

11.5 Amortisation method of turnover materials

Turnover materials include low value consumables and packaging materials. Low value consumables and packaging materials are amortised using the immediate write-off method.

12. Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries, and the Group's long-term equity investments in its joint ventures and associates.

Subsidiaries are the investees over which the Company is able to exercise control. A joint venture is a joint arrangement which is structured through a separate vehicle over which the Group has joint control together with other parties and only has rights to the net assets of the arrangement based on legal forms, contractual terms and other facts and circumstances; An associate is the investee over which the Group has significant influence on its financial and operating policy decisions.

Investments in subsidiaries are presented in the Company's financial statements using the cost method and are adjusted to the equity method when preparing the consolidated financial statements. Investments in joint ventures and associates are accounted for using the equity method.

12.1 Determination of investment cost

For long-term equity investment acquired through a business combination involving enterprises under common control, the investment cost is the ultimate controlling party's share of the carrying amount of owners' equity of the merged party at the combination date; For long-term equity investments acquired through a business combination not involving enterprises under common control, the investment cost shall be the cost of combination.

For the long-term equity investments acquired through other means other than business combinations and long-term equity investments acquired through cash payments, the initial investment cost is the actually paid purchase price; Long-term equity investments acquired through the issuance of securities are recognised at initial investment cost based on the fair value of the securities issued.

12.2 Subsequent measurement and recognition of profit or loss

Long-term equity investments accounted for using the cost method are measured at initial investment cost, and cash dividends or profit distributions declared by the investees are recognised as investment income in profit or loss.

For long-term equity investments accounted for using the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the long-term equity investment is initially measured at that cost; where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the difference is included in profit or loss for the current period and the cost of the long-term equity investment is adjusted upwards accordingly.

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(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

12. Long-term equity investments - continued

12.2 Subsequent measurement and recognition of profit or loss - continued

For long-term equity investments accounted for using the equity method, the Group recognises the investment income or loss according to its share of net profit or loss of the investee. The Group discontinues recognizing its share of net loss of an investee after the carrying amount of the long-term equity investment together with any long-term interests that, in substance, form part of the investor's net investment in the investee are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions are satisfied, the Group continues recognizing the expected losses. For changes in owners' equity of the investee other than those arising from its net profit or loss, other comprehensive income, and profit distribution, the Group records its proportionate share directly into capital reserve. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by an investee.

The unrealised profit or loss arising from the intra-group transactions amongst the Group and its investees is eliminated in proportion to the Group's equity interests in the investees, and then based on which the investment income or loss of the Company's financial statements is recognised. When preparing the consolidated financial statements, for unrealised gains or losses attributable to the Group on downstream transactions from the Group to investees on investment or sale of assets, the Group eliminates the transactions on the Company's financial statements, eliminates the unrealised revenues and costs or gains or losses on disposal of assets attributable to the Group, and adjust the investment income accordingly. For unrealised gains or losses attributable to the Group on upstream transactions from investees to the Group on investment or sale of assets, the Group eliminates the transactions on the Company's financial statements, eliminates the unrealised gains or losses attributable to the Group in the carrying amount of the related assets, and adjust the carrying amount of long-term equity investments accordingly. For the loss on the intra-group transactions amongst the Group and its investees attributable to asset impairment, any unrealised loss is not eliminated.

12.3 Basis for determining existence of control, joint control, and significant influence over investees

Control is the power to govern an investee, so as to obtain variable returns from its involvement with the investee, and has the ability to affect those returns through its power over the investee.

Joint control is a 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

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.

12.4 Impairment of long-term equity investments

The carrying amounts of long-term equity investments in subsidiaries, joint ventures and associates are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts (Note (II)20).

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(II) **SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

12. Long-term equity investments - continued

12.5 Disposal of long-term equity investments

When the Group ceases the use of the equity method, the Group shall account for all amounts previously recognised in other comprehensive income in relation to that investment on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities. Any movements of owner's equity are transferred to investment income in the period with the exception of net profit or loss, other comprehensive income and retained earnings shared by investees when the equity method is terminated. For a portion of long-term equity investment accounted for using the equity method by the Group, the relevant other comprehensive income under equity method previously is determined as if the relevant assets or liabilities are derecognised directly by the Group if the equity method is applied to the residual part of the equity investments on a pro-rata basis according to the proportion of disposal; other owner's equity with the exception of net profit or loss, other comprehensive income and retained earnings shared by investees is transferred to investment income in the current period on a pro-rata basis.

12.6 Partial disposal of a subsidiary or other reason resulting in loss of control of a subsidiary

On disposal of a long-term equity investment in the Group's separate financial statements, the difference between the proceeds actually received and its carrying amount is recognised in profit or loss for the current period; meanwhile, for the remaining equity investment, it shall be recognised as a long-term equity investment at its carrying amount or other relevant financial assets at its fair value. If the remaining equity after disposal can exercise joint control or have a significant influence over the original subsidiary, it shall be accounted for in accordance with the relevant provisions of the transfer of the cost method to the equity method.

13. Investment properties

Investment properties, including land use rights and buildings that have already been leased out, and land use rights that are held for transfer upon capital appreciation, are initially recognised at cost. Subsequent expenditures incurred in relation to an investment property are included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Group and their costs can be reliably measured; otherwise, the expenditures are recognised in profit or loss for the period in which they are incurred.

The Group applies the cost model for subsequent measurement of investment properties. For buildings and land use rights, depreciation or amortisation is made based on their estimated useful lives and net residual value rates. As for investment properties measured by cost model, depreciation policy on similar fixed assets is applicable to buildings for lease purpose, and amortisation policy on similar intangible assets is applicable to land use rights for lease purpose.

When an investment property is transferred to owner-occupied property, it is reclassified to a fixed asset or intangible asset at the date of the transfer. When an owner-occupied property is transferred out for earning rentals or for capital appreciation, the fixed asset or intangible asset is transferred to investment properties at the date of the transfer. The carrying amount before and after transfer is the same at the date of the transfer.

The estimated useful lives and estimated net residual values of investment properties and depreciation (amortisation) methods applied to the investment properties are reviewed, and adjusted as appropriate, at each balance sheet date.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sale, transfer, retirement or damage of an investment property after its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

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(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

13. Investment properties - continued

The carrying amount of investment properties shall be reduced to the recoverable amount if the recoverable amount is lower than the carrying amount. (Note (II)20).

14. Fixed assets

14.1 Recognition and initial measurement of fixed assets

Fixed assets comprise buildings, machinery and equipment, transportation vehicles, electronic equipment and other equipment.

Fixed assets are recognised when the economic benefits associated with them are likely to flow into the Group and their costs can be measured reliably. Fixed assets purchased or constructed by the Group are initially measured at cost at the time of acquisition. Fixed assets injected by the state-owned shareholders during the restructuring are initially recorded at the valuated amount approved by the relevant authorities managing state-owned assets.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss for the period in which they are incurred.

14.2 Depreciation method of fixed assets

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated net residual values and the annual depreciation rates of fixed assets are as follows:

	Estimated useful lives (year(s))	Estimated net residual value rates (%)	Annual depreciation rates (%)
Buildings	5-50	2-10	1.80-19.60
Machinery and equipment	4-20	2-10	4.50-24.50
Transportation vehicles	4-14	2-10	6.43-24.50
Electronic equipment	3-14	2-10	6.43-32.67
Other equipment	2-20	2-10	4.50-49.00

The estimated useful lives and the estimated net residual values of fixed assets and the depreciation method applied to the assets are reviewed, and adjusted as appropriate at each year-end.

14.3 The carrying amount of the fix assets shall be reduced to the recoverable amount if the recoverable amount is lower than the carrying amount (Note (II)20).

14.4 Disposal of fixed assets

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

15. Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the fixed assets ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation is charged starting from the following month. When the recoverable amount of construction in progress is lower than its carrying amount, the carrying amount is reduced to the recoverable amount (Note (II)20).

16. Borrowing costs

The borrowing costs that are directly attributable to acquisition and construction of an asset that needs a substantially long period of time for its intended use commence to be capitalised and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use and the borrowing costs incurred thereafter are recognised in profit or loss for the current period. Capitalisation of borrowing costs is suspended during periods in which the acquisition or construction of an asset is interrupted abnormally, and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

If the borrowing is specific to the qualifying asset, the borrowing costs eligible for capitalisation are the actual cost during the period of construction less any investment income or interest income on the temporary investment of the borrowings.

The amount of borrowing costs eligible for capitalisation, in cases where the funds are borrowed generally, should be determined based on the weighted average of the expenditures incurred in obtaining a qualifying asset. The costs incurred should first be allocated to the specific borrowings. The capitalisation rate relating to general borrowings should be the weighted average effective interest rate applicable to the entity's borrowings. The effective interest rate is the interest rate used when the future cash flows of the borrowings over the estimated remaining deposit period or a shorter applicable period are discounted into the initial recognised amount of the borrowings.

17. Biological assets

Biological assets comprise bearer biological assets and consumable biological assets. A biological asset is initially measured at cost.

Expenditures incurred are included in the cost of the bearer biological assets before achieving the expected operation purpose. Subsequent expenditures such as maintenance or administration cost after achieving the expected operation purpose are recognised in profit or loss for the period in which they are incurred.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

17. Biological assets - continued

The actual expense of the consumable biological assets before closure constitutes the cost of the consumable biological assets, and the subsequent expenses such as management and protection after closure shall be recognised in profit or loss for the period.

Bearer biological assets are depreciated using the straight-line method over their estimated useful lives after achieving the expected operation purpose. The estimated useful life and the estimated net residual value of a bearer biological asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate if the useful life and the estimated net residual value differ from the previous estimates, or there are significant changes in the pattern in which the asset's economic benefits are expected to be realised, the Group will adjust the useful life, estimated net residual value, or the depreciation method as changes in accounting estimate.

At the end of each reporting period, bearer biological assets and consumable biological assets are reviewed and the carrying amount shall be reduced to the recoverable amount or net realisable value if the recoverable amount of bearer biological assets or the net realisable value of the consumable biological assets is lower than the carrying amount. The reduction is an impairment loss which is recognised in profit or loss. Once the provision for bearer biological assets impairment is made, it will not be reversed; when the factor of depreciation of consumable biological asset disappears, it shall be reversed within the amount of provision for depreciation originally withdrawn, and the reversal amount shall be recognised in profit or loss for the period.

18. Intangible assets

Intangible assets include land use rights, business network, brands and trademarks, know-how, patent rights, software and others, and are measured at cost method. Intangible assets injected by the state-owned shareholders during the restructuring were initially recorded at the valuated amount approved by the relevant authorities managing state-owned assets.

18.1 Land use rights

Land use rights are amortised on the straight-line basis over the useful lives of 30-50 years. If the acquisition costs of the land use rights and the buildings located thereon cannot be reasonably allocated between the land use rights and the buildings, all of the acquisition costs are recognised as fixed assets.

18.2 Business network

Business network acquired in a business combination are recognised at fair value at the acquisition date. Business network is amortised using the straight-line method over its estimated useful lives of 5-20 years.

18.3 Brands and trademarks

Brands acquired in a business combination are recognised at fair value at the acquisition date. Brands have indefinite useful life as there is no foreseeable limit to the period over which they are expected to generate net cash inflows. Brands with indefinite useful lives are not amortised and are assessed for impairment on an annual basis. Trademarks are amortised using the straight-line method over their estimated useful lives of 10-20 years.

18.4 Know-how

Know-how is amortised using the straight-line method over its estimated useful lives of 2-20 years.

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(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

18. Intangible assets - continued

18.5 Patent rights

Patent rights are amortised using the straight-line method over its protection period of 10-20 years as stipulated by law.

18.6 Software

Software is amortised using the straight-line method over its estimated useful lives of 2-10 years.

18.7 Periodical review of useful life and amortisation method

For an intangible asset with a finite useful life, review of its useful life and amortisation method is performed at each year-end, with adjustment made as appropriate.

The useful life of an intangible asset that is not being amortised shall be reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset.

18.8 Research and development

The Group's research and development expenditures mainly include expenditures on materials consumed for the implementation of the Group's research and development activities, salaries of employees in the research and development department, depreciation and amortisation of assets used in research and development, such as equipment and software, research and development inspection fees, outsourcing of licensing rights and research and development technical service fees.

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

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

Other development expenditures that do not meet the conditions above are recognised in profit or loss in the period in which they are incurred. Development costs previously recognised as expenses are not recognised as an asset in a subsequent period. Capitalised expenditure on the development phase is presented as development costs in the balance sheet and transferred to intangible assets at the date that the asset is ready for its intended use.

18.8.1 Impairment of intangible assets

When the recoverable amount of an intangible asset is lower than its carrying amount, the carrying amount is reduced to the recoverable amount (Note (II)20).

19. Long-term prepaid expenses

Long-term prepaid expenses include the expenditure for improvements to right-of-use assets, and other expenditures that have been incurred but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortisation.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

20. Impairment of long-term assets

Fixed assets, construction in progress, right-of-use assets, intangible assets with finite useful lives, bearer biological assets carried at cost model, investment properties carried at cost model and long-term equity investments in subsidiaries, joint ventures and associates are tested for impairment if there is any indication that the assets may be impaired at the balance sheet date; intangible assets that are not yet available for their intended use are tested for impairment at least annually, irrespective of whether there is any indication of impairment. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows. For intangible assets with uncertain useful lives, the useful lives of intangible assets shall be reviewed at least annually. If there is any indication that the useful lives of the intangible assets are finite, the intangible assets shall be amortised over its estimated useful lives in the future periods.

Goodwill and intangible assets with indefinite lives that is separately presented in the financial statements is tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. In conducting the test, the carrying value of goodwill is allocated to the related asset group or groups of asset groups which are expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of an asset group or a group of asset groups, including the allocated goodwill, is lower than its carrying amount, the corresponding impairment loss is recognised. The impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset group or group of asset groups, and then deducted from the carrying amounts of other assets within the asset group or group of asset groups in proportion to the carrying amounts of assets other than goodwill.

Once the above asset impairment loss is recognised, it will not be reversed for the value recovered in the subsequent periods.

21. Employee benefits

Employee benefits refer to all forms of consideration or compensation given by the Group in exchange for service rendered by employees or for termination of employment relationship, which include short-term employee benefits, post-employment benefits and termination benefits, etc.

21.1 Short-term employee benefits

Short-term employee benefits include wages or salaries, bonus, allowances and subsidies, staff welfare, medical insurance, work injury insurance, maternity insurance, housing funds, union running costs and employee education costs and others. The short-term employee benefits actually occurred are recognised as a liability in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets. Non-monetary benefits are measured at fair value.

21.2 Post-employment benefits

The Group classifies post-employment benefit plans as either defined contribution plans or defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate fund and will have no obligation to pay further contributions; and defined benefit plans are post-employment benefit plans other than defined contribution plans. During the reporting period, the Group's post-employment benefits mainly include the basic pensions and unemployment insurance, both of which belong to defined contribution plans.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

21. Employee benefits - continued

21.2 Post-employment benefits - continued

21.2.1 Basic pensions

The Group's employees participate in the basic pension plan set up and administered by local authorities of Ministry of Human Resource and Social Security. Monthly payments of basic pensions are calculated according to the bases and percentage prescribed by the relevant local authorities. When employees retire, the relevant local authorities are obliged to pay the basic pensions to them. The amounts based on the above calculations are recognised as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to profit or loss for the current period or the cost of relevant assets.

21.3 Termination benefits

The Group provides compensation for terminating the employment relationship with employees before the end of the employment contracts or as an offer to encourage employees to accept voluntary redundancy before the end of the employment contracts. The Group recognises a liability arising from compensation for termination of the employment relationship with employees, with a corresponding charge to profit or loss for the current period at the earlier of the following dates: 1) when the Group cannot unilaterally withdraw an employment termination plan or a curtailment proposal; 2) when the Group recognises costs or expenses for a restructuring that involves the payment of termination benefits.

21.3.1 Early retirement benefits

The Group offers early retirement benefits to those employees who accept early retirement arrangements. The early retirement benefits refer to the salaries and social security contributions to be paid to and for the employees who accept voluntary retirement before the normal retirement date prescribed by the State, as approved by the management. The Group pays early retirement benefits to those early retired employees from the early retirement date until the normal retirement date. The Group accounts for the early retirement benefits in accordance with the treatment for termination benefits, in which the salaries and social security contributions to be paid to and for the early retired employees from the off-duty date to the normal retirement date are recognised as liabilities with a corresponding charge to the profit or loss for the current period. The differences arising from the changes in the respective actuarial assumptions of the early retirement benefits and the adjustments of benefit standards are recognised in profit or loss in the period in which they occur.

The termination benefits expected to be settled within one year since the balance sheet date are classified as employee benefits payable.

22. Profit distribution

Proposed cash profit distribution is recognised as a liability in the period in which it is approved by the shareholders' meeting.

23. Provisions

Provisions for product warranties, onerous contracts and etc., are recognised when the Group has a present obligation, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

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(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

23. Provisions - continued

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is recognised as interest expense.

The carrying amount of provisions is reviewed at each balance sheet date and adjusted to reflect the best estimate for the current period.

Loss allowance for financial guarantee contracts and allowance for loan commitments as determined based on the ECL model are recognised as provisions.

The provisions expected to be settled within one year since the balance sheet date are classified as current liabilities.

24. Revenue recognition

Sales are recognised when control of goods or provision of services has been transferred to customers. The amount of revenue is determined in accordance with the consideration that the Group is expected to be entitled.

24.1 Sales of goods

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

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

24.2 Rendering services

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

Revenue is recognised by the proportion that costs incurred to date bear to the estimated total costs of the transaction. Trade receivables are recognised when the Group has an unconditional right to collection. For the remaining part of the services, a contract asset is recognised. The Group recognises the loss allowance using the ECL model (Note (II)10) for its accounts receivable and contract assets. If the payments received or receivable exceed the services rendered, a contract liability is recognised for the excess. Contract assets and contract liabilities under the same contract are presented on a net basis.

25. Government grants

Government grants refer to the monetary or non-monetary assets obtained by the Group from the government at no consideration, including tax return, financial subsidy and etc., excluding capital invested in the Group by the government as a business owner.

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(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

25. Government grants - continued

Government grants are recognised when the grants can be received, and the Group can comply with all attached conditions. If a government grant is a monetary asset, it will be measured at the amount received or receivable. If a government grant is a non-monetary asset, it will be measured at its fair value. If it is unable to obtain its fair value reliably, it will be measured at its nominal amount.

Government grants related to assets refer to government grants which are obtained by the Group for the purposes of purchase, construction or acquisition of the long-term assets. Government grants related to income refer to the government grants other than those related to assets.

Government grants related to assets are recorded as deferred income and recognised in profit or loss on a systemic basis over the useful lives of the assets. Government grants related to income that compensate the future costs, expenses or losses are recorded as deferred income and recognised in profit or loss in reporting the related expenses; government grants related to income that compensate the incurred costs, expenses or losses are recognised in profit or loss directly in current period. The Group applies the presentation method consistently to the similar government grants in the financial statements.

Government grants that are related to ordinary activities are included in operating profit, otherwise, they are recorded in non-operating income or expenses.

For the policy loans with favourable interest rates, the Group records the loans at the actual amounts and calculates the borrowing expenses by loan principals and the favourable interest rates. The fiscal interest discounts directly received by the Group offset the relevant borrowing expenses.

26. Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax 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.

Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, associates and joint ventures will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilised, the corresponding deferred tax assets are recognised.

Deferred tax assets and liabilities are offset when:

- the deferred taxes are related to the same taxpayer within the Group and the same taxation authority; and,
- that taxpayer within the Group has a legally enforceable right to offset current tax assets against current tax liabilities.

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(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

27. Leases

A lease is a contract whereby the lessor conveys to the lessee in return for a consideration the right to use an asset for an agreed period of time.

27.1 The Group as the lessee

At the commencement date, the Group shall recognise the right-of-use asset and measure the lease liability at the present value of the lease payments during the lease term that are not paid at that date. Lease payments include fixed payments, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease if the lessee exercises an option to terminate the lease. Rents that are variable based on the revenue are not included in the lease payments and are recognised in the profit or loss of the period when the revenue is earned. Lease liabilities that are due within one year (inclusive) as from the balance sheet date are presented as non-current liabilities due within one year.

Right-of-use assets of the Group include buildings, machinery and equipment, etc. Right-of-use assets are measured initially at cost which consists of the amount of the initial measurement of lease liabilities, any lease payments made at or before the commencement date and any initial direct costs, less any lease incentives received. If there is reasonable certainty that the Group will obtain ownership of the underlying asset by the end of the lease term, the asset is depreciated over its remaining useful life; otherwise, the asset is depreciated over the shorter of the lease term and its remaining useful life. The carrying amount of the right-of-use asset is reduced to the recoverable amount when the recoverable amount is lower than the carrying amount.

For short-term leases with a term of twelve months or less and leases of an individual asset (when new) of low value, the Group may, instead of recognising right-of-use assets and lease liabilities, recognise on a straight-line basis over the period of the lease, and either capitalise as part of the cost of related assets, or charge as an expense for the current period.

The Group shall account for a lease modification as a separate lease if both: (1) the modification increases the scope of the lease by adding the right to use of one or more underlying assets; (2) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the contract.

For a lease modification that is not accounted for as a separate lease, the Group shall redetermine the lease term at the effective date of the lease modification and remeasure the lease liability by discounting the revised lease payments using a revised discount rate, except that the contract changes directly resulting from conditions permitted by the Ministry of Finance are accounted for by applying the practical expedient. For a lease modification which decreases the scope of the lease or shortens the lease term, the Group decreases the carrying amount of the right-of-use asset and recognises in profit or loss any gain or loss relating to the partial or full termination of the lease. For other leases which lead to the remeasurement of lease liabilities, the Group correspondingly adjusts the carrying amount of the right-of-use asset.

27.2 The Group as the lessor

A lease that transfers substantially all the risks and rewards incidental to ownership of an asset is a finance lease. An operating lease is a lease other than a finance lease.

When the Group's rents its self-owned buildings, rental income from an operating lease is recognised on a straight-line basis over the period of the lease. Rental income that are variable based on the revenue of the lessee is recognised when the revenue is earned.

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(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

27. Leases - continued

27.2 The Group as the lessor - continued

27.2.1 Operating leases

When a lease is changed, the Group regards it as a new lease from the effective date of the change and treats the advance or receivable lease payments related to the lease before the charge as the receipts for the new lease.

27.2.2 Finance lease

At the commencement date, finance lease receivable is recognised as long-term receivables and the relevant asset is derecognised. Finance lease receivable due within one year (inclusive) as from the balance sheet date are presented as non-current assets due within one year.

28. Debt restructuring

Debt restructuring refers to a transaction where the terms of debt repayment, such as timing, amount, or method, are renegotiated through an agreement between the creditor and debtor or a court ruling without changing the counterparty to the transaction.

28.1 The Group as creditor

For debtors to offset the debt of the Group using non-financial assets such as inventory and fixed assets, the initial cost of the acquired non-financial assets is determined based on the fair value of the abandoned claims, as well as other costs directly attributable to the asset that occur before it reaches its current location and condition or its intended use, including taxes and other relevant expenses. The difference between the fair value and the carrying amount of the claims abandoned by the Group is recognised in profit or loss for the period.

In addition, when debt restructuring is carried out by modifying other terms, resulting in the derecognition of the original claim, the Group initially measures the restructured claim at fair value in accordance with the modified terms. The difference between the amount recognised for the restructured claim and the carrying amount of the original claim on the derecognition date is recognised in profit or loss for the period. If the modification of other terms does not lead to the derecognition of the original claim, the original claim continues to be measured subsequently in its original classification, and any gains or losses arising from the modification are recognised in profit or loss for the period.

28.2 The Group as debtor

If the Group as debtor conducts debt restructuring through asset repayment of debts, it shall be derecognised when the relevant assets and settled debts meet the derecognition conditions. The difference between the carrying amount of settled debts and the carrying amount of transferred assets shall be recognised in profit or loss for the period.

In addition, when debt restructuring is conducted by modifying other terms, leading to the derecognition of the original debt, the Group initially measures the restructured debt at fair value in accordance with the modified terms. The difference between the amount recognised for the restructured debt and the carrying amount of the original debt on the derecognition date is recognised in the profit or loss for the period. If the modification of other terms does not result in the derecognition of the original debt, the original debt continues to be measured subsequently in its original classification, and any gains or losses arising from the modification are recognised in profit or loss for the period.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

29. Share-based payments

Share-based payments are categorised into equity-settled share-based payment transactions and cash-settled share-based payment transactions. The share-based payment transactions implemented by the Group is accounted for as equity-settled.

The equity-settled share-based payments in exchange for employee services shall be measured at the fair value of the equity instruments granted to the employees. Where the equity-settled share-based payments are exercisable immediately after the grant is completed, the payments shall be recognised in profit or loss for the current period at the fair value of the equity instruments at the grant date, with capital reserve increased accordingly; where the equity-settled share-based payments are exercisable after the service in the waiting period is completed or specified performance conditions are met, the service obtained in the current period shall be recognised in profit or loss for the current period at the fair value of the equity instruments at the grant date based on the best estimate on the quantity of exercisable equity instruments made by the Group in accordance with the latest changes in the number of exercisable employees, satisfaction of specified performance conditions and other subsequent information at each balance sheet date within the waiting period.

Where the equity-settled share-based payments cannot be exercised in the end, its costs or expenses shall not be recognised by the Group unless that the payments are exercisable under the market conditions or non-exercisable conditions. In this regard, whether the market conditions or non-exercisable conditions are satisfied or not, the payments are deemed to be exercisable only when the non-market conditions among all of the exercisable conditions are satisfied.

When the Group modifies the terms of the share-based payment plan, if the modification increases the fair value of the granted equity instruments, the Group shall recognise the increase in services received based on the difference between the fair value of the equity instruments before and after the modification on the modification date. If the Group revises the exercisable conditions in a manner favourable to employees, the Group shall account for the payment according to the revised exercisable conditions; if the Group revises the exercisable conditions in a manner unfavourable to employees, the Group shall not consider that in the accounting, unless the Group cancels part or all of the granted equity instruments. If the Group cancels the granted equity instruments, the payments shall be accelerated for exercise on the cancellation date, and the amount that should have been recognised during the remaining waiting period shall be immediately included in profit or loss for the current period, and capital reserve shall be also recognised.

30. Held for sale and discontinued operations

A non-current asset or a disposal group is classified as held for sale when all of the following conditions are satisfied: (1) the non-current asset or the disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such non-current asset or disposal group; (2) the Group has entered a legally enforceable sales agreement with other party and obtained relevant approval, and the sales transaction is expected to be completed within one year.

Non-current assets (except for financial assets, investment properties measured at fair value and deferred tax assets) that meet the recognition criteria for held for sale are recognised at the amount equal to the lower of the fair value less costs to sell and the carrying amount. Any excess of the original carrying amount over the fair value less costs to sell is recognised as asset impairment losses.

Such non-current assets and assets and liabilities included in disposal groups classified as held for sale are classified as current assets and current liabilities respectively and are separately presented in the balance sheet.

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(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

30. Held for sale and discontinued operations - continued

A discontinued operation is a component of the Group that either has been disposed of or has been classified as held for sale, and is separately identifiable and satisfies one of the following conditions: (1) it represents a separate major line of business or geographical area of operations; (2) it is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; and (3) it is a subsidiary acquired exclusively with a view to resale.

The net profit from discontinued operations in the income statement includes operating profit or loss and disposal gains or losses of discontinued operations.

31. Segment information

The Group determines operating segments based on internal organisational structure, management requirements and internal reporting systems, and determines reporting segments and discloses segment information on the basis of operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenues and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. Two or more operating segments that have similar economic characteristics and satisfy certain conditions can be aggregated into one single operating segment.

32. Significant accounting estimates and judgements

The Group continually evaluates the significant accounting estimates and key judgements applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

32.1 Significant accounting estimates and key assumptions

The significant accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are outlined below:

32.1.1 Estimated useful lives and estimated net residual values of fixed assets

The management of the Group reviews the estimated useful lives, estimated net residual values and depreciation methods of fixed assets at each financial year-end. The estimated useful lives are determined by reference to the Group's business model, asset management policy and expected lifespan of the assets. The estimated useful lives could change significantly as a result of certain factors. Management will increase the depreciation expense where useful lives are less than previously estimated lives, or it will write down technically obsolete or non-strategic assets that have been abandoned or sold. The estimated residual values are determined based on all relevant factors (including but not limited to by reference to the industry practice and estimated residual values).

The depreciation expense will change where the estimated useful lives or estimated residual values of the assets are different from the previous estimates.

(II) **SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

32. Significant accounting estimates and judgements - continued

32.1 Significant accounting estimates and key assumptions - continued

32.1.2 Estimated useful lives of business network

The Group needs to determine the estimated useful lives and consequently the related amortisation charges for its business network. These estimates are based on the historical experience of the actual useful lives of business network of similar nature and functions. Management will increase the amortisation charges where useful lives are less than previously estimated lives, which may also result in impairment of intangible assets. Actual economic lives may differ from estimated useful lives.

The amortisation charges will change where the estimated useful lives of the intangible assets are different from the previous estimates.

32.1.3 Accounting estimates on impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amount of asset groups or groups of asset groups is the higher of fair value less the cost of disposal and the present value of the future cash flows expected to be derived from them. These calculations require use of accounting estimates (Note (IV)22). There are uncertainties in the following parameters when the Group determines the recoverable amount based on the present value of the expected future cash flows.

If management revises the growth rate that is used in the calculation of the future cash flows of asset groups or groups of asset groups, and the revised growth rate is lower than the one currently used, the Group may need to recognise further impairment against goodwill.

If management revises the gross margin that is used in the calculation of the future cash flows of asset groups or groups of asset groups, and the revised gross margin is lower than the one currently used, the Group may need to recognise further impairment against goodwill.

If management revises the pre-tax discount rate applied to the discounted cash flows, and the revised pre-tax discount rate is higher than the one currently applied, the Group may need to recognise further impairment against goodwill.

If the actual revenue growth rate and gross margin is higher or the pre-tax discount rate is lower than management's estimates, the impairment loss of goodwill previously recognised is not allowed to be reversed by the Group.

32.1.4 Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs to completion, selling expense and related tax. For inventories with expiration management, management determined the provision for decline in value of inventories based on the level of inventories close to expiration date taking into consideration of good return arrangement with suppliers and estimated probability of selling. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of technical innovations, changes in customer taste and competitor actions in response to severe industry cycle. Management reassesses these estimates at each balance sheet date.

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(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

32. Significant accounting estimates and judgements - continued

32.1 Significant accounting estimates and key assumptions - continued

32.1.5 Measurement of ECL

The Group determines ECL based on assumptions about risk of default and ECL rates. The Group determines the ECL rates based on the probability of default and default loss rate. In determining the ECL rates, the Group uses data such as internal historical credit loss experience, and adjusts the historical data based on current condition and forward-looking information.

When considering forward-looking information, the Group takes into account different macroeconomic scenarios. The Group regularly monitors and reviews important macroeconomic assumptions and parameters related to the calculation of ECL, including the risk of economic downturn, external market environment, technological environment, Gross Domestic Product ("GDP") and Consumer Price Index ("CPI"), etc. The key macroeconomic parameters are set differently in favourable, benchmark and unfavourable economic scenario. For the mostly used parameter GDP, are 5.20%, 4.50% and 3.40%, respectively (2023: 5.65%, 4.40% and 3.00%). The Group monitors and reviews assumptions related to the calculation of ECL on a regular basis. For the year ended 31 December 2024, the Group had considered the uncertainties arising from different macroeconomic scenarios and updated relevant assumptions and parameters accordingly.

32.1.6 Income tax and deferred income tax

The Group is subject to income taxes in numerous jurisdictions. In the normal course of operations, the ultimate tax determination is uncertain for some transactions and events. The Group needs to make significant judgements when calculate the income tax expenses in numerous jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax expenses and deferred tax expenses in the period in which such determination is made.

As stated in Note (III)2, some subsidiaries of the Group are high-tech enterprises. The "High-Tech Enterprise Certificate" is effective for three years. Upon expiration, application for high-tech enterprise assessment should be submitted again to relevant government authorities. Based on the past experience of reassessment for high-tech enterprises upon expiration and the actual condition of the subsidiaries, the Group considers that the subsidiaries are able to obtain the qualification for high-tech enterprises in future years, and therefore a preferential tax rate of 15% is used to calculate the corresponding deferred income tax. If some subsidiaries cannot obtain the qualification for high-tech enterprises upon expiration, then the subsidiaries are subject to a statutory tax rate of 25% for the calculation of the income tax, which further influences the recognised deferred tax assets, deferred tax liabilities and income tax expenses.

Deferred tax assets are recognised for the deductible losses that can be carried forward to subsequent years to the extent that it is probable that the taxable profit will be available in the future period against which the deductible losses can be utilised. Taxable profit that will be available in the future period includes the taxable income that will be realised through normal production and operation and the taxable income that will be increased in the future period upon the reversal of taxable temporary differences incurred in the previous period. Estimates and judgements are required to determine the time and amount of taxable profit in the future period. Any difference between the actual amounts and the estimate may result in adjustment to the carrying amount of deferred tax assets.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

32. Significant accounting estimates and judgements - continued

32.2 Key judgements in applying the accounting policies

32.2.1 Classification of financial assets

Significant judgements involved in the classification of financial assets include the business model within which they are held and their contractual cash flow characteristics.

The Group uses judgements when it assesses its business model for managing financial assets on financial assets grouping basis. The assessment is determined by relevant evidence such as how the performance the financial assets are evaluated and reported to the Group's key management personnel; the risks that affect the performance of the business model and the financial assets held within that business model and the way in which those risks are managed; and how managers of the business are compensated etc.

When the Group assesses contractual cash flows are consistent with a basic lending arrangement, significant judgements used are as below: the possibility of changes in time schedule or amount of the principal during the lifetime due to reasons such as repayment in advance, whether the interest only reflects consideration for the time value of money, for the credit risk associated with the instrument during the term of the instrument and for other basic lending risks and costs, as well as a profit margin. For example, prepayments represent unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for the early termination of the contract.

32.2.2 Determination of significant increase in credit risk and credit impairment

When the Group classifies the stages of financial instruments into different stages, its determination for significant increase in credit risk and credit impairment are as follows:

The Group considers the 30 days past due as main indicator in determining a significant increase in credit risk. Also, the Group considers a significant increase in credit risk if there is significant change in one or several indicators, such as significant change in the business conditions of the borrower, the internal or external credit rating for the borrower and actual or expected operating results of the borrower; and significant decrease in the value of collateral or the credit rating of the guarantor, which will influence the possibility of default.

The Group considers the 90 days past due as main indicator that a financial asset is credit-impaired (i.e., the default of the financial asset occurs). Also, the Group considers that a financial asset is credit-impaired if one or several indicators as below is met: significant financial difficulty of the borrower; it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

33. Changes in significant accounting policies

The Interpretation No. 17 of the Accounting Standards for Business Enterprises (the "Interpretation No. 17") and the Interpretation No. 18 of the Accounting Standards for Business Enterprises were issued by the Ministry of Finance on 25 October 2023 and 6 December 2024, respectively.

The Interpretation No. 17 stipulated the classification of current and non-current liabilities, which came into effect on 1 January 2024.

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(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

33. Changes in significant accounting policies - continued

The Interpretation No.17 has revised and improved the principle of classification of current and non-current liabilities in the Accounting Standards for Business Enterprises No. 30 - Presentation of Financial Statements, which specifies that: if an enterprise does not have the substantive right to postpone the repayment of the liabilities to more than one year after the balance sheet date, the liabilities should be classified as current liabilities, and the subjective possibility of whether the enterprise exercises the above right does not affect the classification of the liabilities; for the liabilities arising from the enterprise's loan arrangements, if the right of the enterprise to postpone the repayment of the liabilities to more than one year after the balance sheet date may depend on the contractual conditions, the contractual conditions that the enterprise should follow on or before the balance sheet date and after the balance sheet date should be distinguished, and whether it has the right to postpone the repayment of the liabilities on the balance sheet date should be considered; and if the counterparty of an enterprise's liabilities can choose to repay with the enterprise's own equity instruments, and this option is classified as an equity instrument and recognised separately, the relevant repayment terms have nothing to do with the classification of the liabilities. It also classifies the information disclosure requirements related to loan arrangements with contractual conditions and classified as non-current liabilities. Meanwhile, enterprises are required to adjust the information of comparable periods when implementing this Interpretation for the first time. The Group has implemented this Interpretation since 1 January 2024. Upon assessment, the Group considers that the adoption of this Interpretation has no significant impact on the financial statements of the Group.

(III) TAXATION

1. The main categories and rates of taxes applicable to the Group are set out below:

Category	Taxation basis	Tax rate
Enterprise income tax (1)	Taxable income	15%, 16.5%, 25%, 30%
Value-added taxes ("VAT") (2)	Taxable value-added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible input VAT of the current period)	3%, 5%, 6%, 9%, 10%, 13%
City maintenance and construction tax	The payment amount of VAT and consumption tax	1%, 5%, 7%

- (1) In accordance with the "Announcement on the Relevant Enterprise Income Tax Policies for the Deduction of Equipment and Instruments" (Announcement No. 37 [2023] of the Ministry of Finance and the State Taxation Administration) issued by the Ministry of Finance and the State Taxation Administration, during the period from 1 January 2024 to 31 December 2027, the cost of newly purchased equipment and instruments with unit value no more than RMB5 million can be fully deducted against taxable profit and recorded in expenses for the current period, instead of being depreciated annually; the cost of newly purchased equipment and instruments with unit value more than RMB5 million shall be accounted for in accordance with relevant provisions such as "Regulation on the Implementation of the Enterprise Income Tax Law", "Notice of the Ministry of Finance and the State Taxation Administration on Improving the Enterprise Income Tax Policies for the Accelerated Depreciation of Fixed Assets" (Cai Shui No.75 [2014]), "Notice of the Ministry of Finance and the State Taxation Administration on Further Improving the Enterprise Income Tax Policies for the Accelerated Depreciation of Fixed Assets" (Cai Shui No.106 [2015]).

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(III) TAXATION - continued

1. The main categories and rates of taxes applicable to the Group are set out below: - continued

- (2) In accordance with the "Announcement on the Policy of Value Added Tax Deduction for Advanced Manufacturing Enterprises" issued by the Ministry of Finance and the State Taxation Administration (Announcement No. 43 [2023] of the Ministry of Finance and the State Taxation Administration), the Company's subsidiaries Shanghai Jinhe Bio-pharmaceutical Co., Ltd., Shanghai SPH Zhong Xi Pharmaceutical Co., Ltd., Shanghai Zhongxi Sunve Pharmaceutical Co., Ltd., Shanghai Zhonghua Pharmaceutical Nantong Co., Ltd., Shanghai Zhonghua Pharmaceutical Co., Ltd., Shanghai SPH Shen Xiang Health Pharmaceutical Co., Ltd., SHP Xingling Sci.&Tech. Pharmaceutical Co., Ltd., Zhejiang Jiuxu Pharmaceutical Co., Ltd., Shanghai Leiyunshang Pharmaceutical Co., Ltd., Shandong Sine Pharmaceutical Co., Ltd., Shanghai Harvest Pharmaceutical Co., Ltd., SPH Sine Pharmaceutical Factory Co., Ltd., Shanghai Sine Jinzhu Pharmaceutical Co., Ltd., Shanghai Sine Tianping Pharmaceutical Co., Ltd., Shanghai Sine Wanxiang Pharmaceutical Co., Ltd., Shanghai Sine Yanan Pharmaceutical Co., Ltd., Tianjin Jinjin Pharmaceutical Co., Ltd., Gansu Xinyi Tiansen Pharmaceutical Co., Ltd., SPH New Asia Pharmaceutical Co., Ltd., Shanghai SPH New Asiatic Minghang Pharmaceutical Co., Ltd., Shanghai Haichang Medical Plastic Plant, Hangzhou Huqingyutang Pharmaceutical Co., Ltd., Liaoning SPH Herbapex Pharmaceutical (Group) Co., Ltd., Xiamen Traditional Chinese Medicine Factory Co., Ltd., SPH Dongying (Jiangsu) Pharmaceutical Co., Ltd., Chia Tai Qingchunbao Pharmaceutical Co. Ltd., SPH Qingdao Guofeng Pharmaceutical Co., Ltd., Shanghai Pharma Group Changzhou Kony Pharmaceutical Co., Ltd., SPH No. 1 Biochemical & Pharmaceutical Co., Ltd., Guangdong Techpool Biochemical Pharmaceutical Co., Ltd., Changzhou Pharmaceutical Factory Co., Ltd., Nantong Changyou Chemicals Co., Ltd., as advanced manufacturing enterprises, from 1 January 2023 to 31 December 2027, offset the VAT payable by deductible input VAT for the current period plus 5%.

2. Preferential tax rate policy and approval documents

Enterprise income tax

The actual income tax rate applicable to the Company was 25% for the year 2024 (2023: 25%).

Some subsidiaries of the Group enjoy preferential enterprise income tax policies, and the main preferential policies are as follows:

Subsidiaries Shanghai Jinhe Bio-pharmaceutical Co., Ltd., Shanghai SPH Zhong Xi Pharmaceutical Co., Ltd., Shanghai Zhonghua Pharmaceutical Nantong Co., Ltd., Shanghai Zhonghua Pharmaceutical Co., Ltd., Shanghai SPH Shen Xiang Health Pharmaceutical Co., Ltd., SHP Xingling Sci.&Tech. Pharmaceutical Co., Ltd., Zhejiang Jiuxu Pharmaceutical Co., Ltd., Shanghai Leiyunshang Pharmaceutical Co., Ltd., Shanghai Leiyunshang Fengbang Pharmaceutical Co., Ltd., Gansu Xinyi Tiansen Pharmaceutical Co., Ltd., Shandong Sine Pharmaceutical Co., Ltd., Shanghai Harvest Pharmaceutical Co., Ltd., SPH Sine Pharmaceutical Factory Co., Ltd., Shanghai Sine Jinzhu Pharmaceutical Co., Ltd., Shanghai Sine Tianping Pharmaceutical Co., Ltd., Shanghai Sine Wanxiang Pharmaceutical Co., Ltd., Shanghai Sine Yanan Pharmaceutical Co., Ltd., Tianjin Jinjin Pharmaceutical Co., Ltd., SPH New Asia Pharmaceutical Co., Ltd., Shanghai SPH New Asiatic Minghang Pharmaceutical Co., Ltd., Liaoning Meiya Pharmaceutical Co., Ltd., Shanghai Haichang Medical Plastic Plant, Health Link (Beijing) Information Technology Co., Ltd., Hangzhou Huqingyutang Pharmaceutical Co., Ltd., Liaoning SPH Herbapex Pharmaceutical (Group) Co., Ltd., Xiamen Traditional Chinese Medicine Factory Co., Ltd., SPH Qingdao Guofeng Pharmaceutical Co., Ltd., Shanghai Pharma Group Changzhou Kony Pharmaceutical Co., Ltd., Shanghai Oval Commercial Technologies Inc., Guangdong Techpool Biochemical Pharmaceutical Co., Ltd., SPH No. 1 Biochemical & Pharmaceutical Co., Ltd., Shanghai Ziyuan Pharmaceutical Co., Ltd., Changzhou Pharmaceutical Factory Co., Ltd., Nantong Changyou Chemicals Co., Ltd., SPH (Benxi) North Pharmaceuticals Co., Ltd., Guangdong Sunnico Medical Technology Co., Ltd. and others have been recognised as high-tech enterprises. In accordance with Article 28 of the "Enterprise Income Tax Law of the People's Republic of China", the applicable enterprise income tax rate for these companies for the year 2024 was 15%.

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(III) TAXATION - continued

2. Preferential tax rate policy and approval documents - continued

Some subsidiaries of the Group enjoy preferential enterprise income tax policies, and the main preferential policies are as follows: - continued

Subsidiaries SPH Keyuan Xinhai Pharmaceutical Enshi Co., Ltd., SPH Konggu Pharmaceutical Tongliao Co., Ltd., SPH KDL Health (Chongqing) Pharmaceutical Co., Ltd., Chifeng Aike Pharmaceutical Technology Co., Ltd., Chifeng Mengxin Pharmaceutical Co., Ltd., SPH Yunnan Co., Ltd., SPH Keyuan Xinhai Pharmaceutical Neimenggu Co., Ltd., SPH Konggu Pharmaceutical Gansu Co., Ltd., SPH Chongqing Medical Equipment Co., Ltd., SPH Chongqing Pharmaceutical Co., Ltd., Xiangxi Shanghai Pharmaceutical Jiuwang Pharmaceutical Co., Ltd. and SPH Medical Instruments Yunnan Co., Ltd. have been recognised as encouraged enterprises in the western region. In accordance with the "Announcement on the Measures for the Handling of Matters concerning Preferential Enterprise Income Tax Policies" issue by the State Taxation Administration (Announcement No. 23 [2018] of the State Taxation Administration), the applicable enterprise income tax rate for these encouraged enterprises in the western region for the year 2024 was reduced to 15%.

Subsidiary Shanghai Pharmaceutical Science Park Xinhai Hainan Co., Ltd. has been recognised as an encouraged industrial enterprise in Hainan Free Trade Port. In accordance with the relevant provisions of the "Notice on Preferential Income Tax Policies for Enterprises in Hainan Free Trade Port" issued by the State Taxation Administration (Cai Shui No. 31 [2020]), the applicable enterprise income tax rate for this company for the year 2024 was 15%.

Subsidiaries SPH (Dali) Yew Biological Co., Ltd. and Dujiangyan Shendu Traditional Chinese Medicine Co., Ltd. are engaged in forest cultivation and planting, as well as forest product collection. In accordance with Article 86 (1) of the "Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China", the enterprise income tax for the above-mentioned companies for the year 2024 can be exempted.

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(III) TAXATION - continued**2. Preferential tax rate policy and approval documents - continued**

Subsidiaries Shanghai Harvest Pharmaceutical Co., Ltd., Shanghai Qiyi Dental Instrument Co., Ltd., Shanghai Kangge Special Medical Instruments Factory, Changshu Shangchi Dental Material Co., Ltd., Shanghai Wuzhou Medical Instrument Factory, SPH Huayu (Linyi) Chinese Medicine Resources Co., Ltd., Shandong SPH Herbal Medicine Co., Ltd., Shanghai Xinde Traditional Chinese Medicine Co., Ltd., Luoyang Kangxin Pharmacy Company Ltd., SPH Medical Instruments Shaanxi Co., Ltd., Shangyao Keyuan Pharmacy Heilongjiang Co., Ltd., Beijing Keyuan Xinhai Grand Pharmacy Co., Ltd., Beijing He An Chang Tai Pharmacy Co., Ltd., Jilin Shanghai Pharmaceutical Grand Pharmacy Co., Ltd., SPH Keyuan Pharmacy Jilin Co., Ltd., Jilin Taiming Medical Devices Co., Ltd., Keyuan Jilinshi Pharmaceutical Grand Pharmacy Co., Ltd., SPH Keyuan Xinhai Biological Beijing Co., Ltd., Beijing Xinhai Chengkang Pharmacy Co., Ltd., SPH Keyuan Health Pharmacy (Henan) Co., Ltd., Shaanxi SPH Pharmacy Co., Ltd., SPH Keyuan Pharmacy Hainan Company Ltd., SPH Keyuan Xinhai Shijiazhuang Pharmacy Company Limited, Qingdao Yanhuang Yiyi Culture Communication Co., Ltd., Liaoning SPH Technology Development Co., Ltd., SPH Tongshan (Shenyang) Pharmacy Chain Co., Ltd., SPH Tongshan (Panjin) Pharmacy Co., Ltd., SPH (Liaoning) Medical Instrument Co., Ltd., SPH Holding Qingdao Pharmacy Chain Co., Ltd., Pingdu Shangyao Pharmacy Co. Ltd., SPH Yiyao Guolin Pharmacy (Yantai) Co., Ltd., SPH Guangzhou Co., Ltd., Guangdong Zhongkang Medical Supply Chain Management Co., Ltd., Guangzhou Boji Kangzhixuan Pharmaceutical Chain Co., Ltd., SPH Guangdong Medicine Logistics Co., Ltd., Guangzhou Zhongda New Medicine R&D Center Co., Ltd., Chengdu Hengruida Pharmaceutical Co., Ltd., Medicine Holding Chuxiong Co., Ltd., SPH Puer Co., Ltd., SPH Yunnan Dianxi Co., Ltd., SPH Yuxi Co., Ltd., SPH Honghe Co., Ltd., Shangyao Holding (Yuxi Xinping) Co., Ltd., Shanghai Pharmaceutical Holdings Lijiang Co., Ltd., Fujian Guanhua New Medicine Promotion Center, Fujian Jiurentang Pharmaceutical Co., Ltd., Fujian Mingkang Pharmaceutical Co., Ltd., Fujian Wuyi Pharmaceutical Co., Ltd., Tongliao SPH Pharmacy Co., Ltd., Xiamen Dinglu Pharmaceutical Co., Ltd., Ba Bao Dan She Ye Technology Dali Co., Ltd., Babao Dan Health Industry (Xiamen) Co., Ltd., Chia Tai Qingchunbao Dengfeng Pharmaceutical Co. Ltd. and Hangzhou Qingchunyuan Health Technology Co., Ltd. have been recognised as small and micro enterprises. In accordance with the "Announcement of the Ministry of Finance and the State Taxation Administration on Further Implementing the Preferential Income Tax Policies for Micro and Small Enterprises" (Announcement No. 13 [2022] of the Ministry of Finance and the State Taxation Administration), and the "Announcement of the Ministry of Finance and the State Taxation Administration on the Preferential Income Tax Policies for Micro and Small Enterprises and Individual Industrial and Commercial Households" (Announcement No. 12 [2023] of the Ministry of Finance and the State Taxation Administration), for 2024, the annual taxable income of the above mentioned companies that is not more than RMB1 million shall be included in its taxable income at the reduced rate of 25%, with the applicable enterprise income tax rate of 20%; the annual taxable income of the above mentioned companies that is more than RMB1 million but not more than RMB3 million shall be included in its taxable income at the reduced rate of 25%, with the applicable enterprise income tax rate of 20%.

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS**1. Cash and bank balances**

	31 December 2024	31 December 2023
Cash on hand	2,406,335.55	2,848,490.78
Bank deposits	27,107,820,684.40	23,331,668,230.42
Finance company deposits	4,771,045,774.92	4,165,292,280.00
Other cash and bank balances	3,863,055,243.70	3,017,897,441.84
Total	35,744,328,038.57	30,517,706,443.04
Including: Total amount deposited overseas	1,706,348,114.57	1,077,184,992.12

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(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

1. Cash and bank balances - continued

As at 31 December 2024, the Group has no restricted cash and bank balances in bank deposits and finance company deposits (31 December 2023: Nil); other cash and bank balances of RMB1,919,405,525.13 are pledged as collateral by the Group for the purpose of bank acceptances (31 December 2023: RMB1,798,948,552.14); other cash and bank balances of RMB8,260,071.62 are pledged as collateral by the Group for the purpose of letters of credit (31 December 2023: RMB23,067,390.21); other cash and bank balances of RMB1,740,000,000.00 are time deposits due over three months (31 December 2023: RMB1,045,000,000.00); other restricted cash and bank balances are RMB195,389,646.95 (31 December 2023: RMB150,881,499.49).

2. Held-for-trading financial assets

	31 December 2024	31 December 2023
Structured deposits	8,632,930,000.00	10,152,154,821.92

3. Derivative financial assets and derivative financial liabilities

	31 December 2024	31 December 2023
Derivative financial assets		
- Forward exchange contracts (1)	5,421,503.02	2,596,393.11
- Foreign exchange swap contracts (1)	10,803,283.33	-
Total	16,224,786.35	2,596,393.11
Derivative financial liabilities		
- Forward exchange contracts (2)	1,598,178.46	2,316,492.78

(1) As at 31 December 2024, the derivatives financial assets mainly represent the forward exchange contracts and foreign exchange swap contracts held by the Group (31 December 2023: forward exchange contracts held by the Group)

(2) As at 31 December 2024 and 31 December 2023, derivative financial liabilities mainly represent the forward exchange contracts held by the Group.

4. Notes receivable

	31 December 2024	31 December 2023
Bank acceptances	624,551,624.60	1,433,396,793.80
Commercial acceptances	504,547,863.95	487,807,463.65
Less: Bad debt allowance	(6,994,443.32)	(12,555,301.97)
Total	1,122,105,045.23	1,908,648,955.48

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(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4. Notes receivable - continued

- (1) As at 31 December 2024, the Group's notes receivable endorsed or discounted but unmatured are listed as follows:

	Not derecognised
Bank acceptances	108,861,869.79
Commercial acceptances	128,494,281.16
Total	237,356,150.95

For 2024, the commercial acceptances receivable endorsed or discounted by the Group didn't satisfy the criteria of derecognition. Therefore, they were still categorized as financial assets at amortised cost. The bank acceptances were grouped based on type of bank, credit rating, etc. for management. Bank acceptances not satisfying the criteria of derecognition were considered as being held in the model of collecting contractual cash flows and accounted for as notes receivable at amortised cost.

- (2) Bad debt allowance

The Group's notes receivable were arising from business activities such as sales of goods and rendering of services. The loss allowance is measured at lifetime ECL regardless of whether there is a significant financing component.

The bad debt allowance for notes receivable analysed by category is as follows:

	31 December 2024				31 December 2023			
	Gross carrying amount		Bad debt allowance		Gross carrying amount		Bad debt allowance	
	Amount	Proportion to total amount (%)	Amount	Proportion (%)	Amount	Proportion to total amount (%)	Amount	Proportion (%)
Bad debt allowance made on an individual basis (i)	-	-	-	-	-	-	-	-
Bad debt allowance made on a portfolio basis (ii)	1,129,099,488.55	100.00	(6,994,443.32)	0.62	1,921,204,257.45	100.00	(12,555,301.97)	0.65
Total	1,129,099,488.55	100.00	(6,994,443.32)	0.62	1,921,204,257.45	100.00	(12,555,301.97)	0.65

- (i) As at 31 December 2024, the Group has no notes receivable with bad debt allowance made on an individual basis (31 December 2023: Nil).
- (ii) As at 31 December 2024, the notes receivable with bad debt allowance made on a portfolio basis are analysed as follows:

Portfolio - Bank acceptances:

As at 31 December 2024, the Group measures the bad debt allowance for bank acceptances based on lifetime ECL, amounting to RMB3,691,839.09 (31 December 2023: RMB10,752,539.85), including RMB-7,060,700.76 (2023: RMB5,111,524.99) recognised in profit or loss for the period. The Group considers that the bank acceptances within the portfolio has no significant credit risk and there will be no significant losses due to bank defaults.

Portfolio - Commercial acceptances:

As at 31 December 2024, the Group measures the bad debt allowance for commercial acceptances based on lifetime ECL, amounting to RMB3,302,604.23 (31 December 2023: RMB1,802,762.12), including RMB1,499,842.11 (2023: RMB-3,021,351.19) recognized in profit or loss for the period.

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(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4. Notes receivable - continued

(2) Bad debt allowance - continued

(iii) The reversal of bad debt allowance in the current year amounts to RMB5,560,858.65.

(iv) The Group has no write-off of notes receivable in the current year.

5. Accounts receivable

	31 December 2024	31 December 2023
Accounts receivable	81,551,728,010.97	75,160,642,157.17
Less: Bad debt allowance	(2,422,522,271.81)	(2,226,761,040.00)
Total	79,129,205,739.16	72,933,881,117.17

Retail sales at the Group's medicine and pharmaceutical chain stores are usually made in cash or by debit or credit cards. For medicine and pharmaceutical distribution and manufacturing business segments, customers are usually granted a credit period not exceeding 360 days.

(1) The aging analysis of accounts receivable based on recording date is as follows:

	31 December 2024	31 December 2023
Within 1 year	77,229,865,369.59	71,650,272,850.62
1 to 2 years	2,706,275,563.74	2,346,935,563.50
Over 2 years	1,615,587,077.64	1,163,433,743.05
Total	81,551,728,010.97	75,160,642,157.17

(2) As at 31 December 2024, the top five accounts receivable based on the balance of the debtors are summarised and analysed as follows:

	Closing balance	Proportion to total accounts receivable (%)	Closing balance of bad debt allowance
Total top five accounts receivable	5,406,336,034.39	6.63	(17,314,917.95)

(3) Accounts receivable derecognised due to the transfer of financial assets are analysed as follows:

For 2024, the Group conducted non-recourse factoring for a few accounts receivable, with substantially all risks and rewards of ownership transferred to other parties. The cost of accounts receivable that was derecognised due to factoring without resource was RMB16,102,554,272.27, and related losses of RMB158,721,185.85 were included in investment loss (2023: RMB18,780,331,299.22 and RMB187,598,478.68) (Note (IV)58).

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(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

5. Accounts receivable - continued

(4) Bad debt allowance

For accounts receivable, regardless of whether there is a significant financing component, the Group measures loss allowance based on lifetime ECL.

The bad debt allowance for accounts receivable is analysed by category as follows:

	31 December 2024				31 December 2023			
	Gross carrying amount		Bad debt allowance		Gross carrying amount		Bad debt allowance	
	Amount	Proportion to total amount (%)	Amount	Proportion (%)	Amount	Proportion to total amount (%)	Amount	Proportion (%)
Bad debt allowance made on an individual basis (i)	965,273,333.45	1.18	(555,921,695.63)	57.59	422,039,147.36	0.56	(422,039,147.36)	100.00
Bad debt allowance made on a portfolio basis (ii)	80,586,454,677.52	98.82	(1,866,600,576.18)	2.32	74,738,603,009.81	99.44	(1,804,721,892.64)	2.41
Total	81,551,728,010.97	100.00	(2,422,522,271.81)	2.97	75,160,642,157.17	100.00	(2,226,761,040.00)	2.96

(i) As at 31 December 2024, accounts receivable for which bad debt allowance is made on an individual basis are analysed as follows:

	Gross carrying amount	Lifetime ECL rate (%)	Bad debt allowance	Reasons
Accounts receivable 1	285,903,828.34	11.98	(34,251,278.64)	Provided based on estimated recoverable amount
Accounts receivable 2	161,534,870.51	18.00	(29,076,276.69)	Provided based on estimated recoverable amount
Accounts receivable 3	121,103,445.32	100.00	(121,103,445.32)	Upon assessment, it is expected to be unrecoverable
Accounts receivable 4	32,217,861.48	100.00	(32,217,861.48)	Upon assessment, it is expected to be unrecoverable
Others	364,513,327.80	93.08	(339,272,833.50)	Provided based on estimated recoverable amount
Total	965,273,333.45		(555,921,695.63)	

As at 31 December 2023, accounts receivable for which bad debt allowance is made on an individual basis are analysed as follows

	Gross carrying amount	Lifetime ECL rate (%)	Bad debt allowance	Reasons
Accounts receivable 1	121,103,445.32	100.00	(121,103,445.32)	Upon assessment, it is expected to be unrecoverable
Accounts receivable 2	32,217,861.48	100.00	(32,217,861.48)	Upon assessment, it is expected to be unrecoverable
Accounts receivable 3	31,916,220.45	100.00	(31,916,220.45)	Upon assessment, it is expected to be unrecoverable
Accounts receivable 4	11,546,794.10	100.00	(11,546,794.10)	Upon assessment, it is expected to be unrecoverable
Others	225,254,826.01	100.00	(225,254,826.01)	Upon assessment, it is expected to be unrecoverable
Total	422,039,147.36		(422,039,147.36)	

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(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

5. Accounts receivable - continued

(4) Bad debt allowance - continued

(ii) As at 31 December 2024 and 31 December 2023, accounts receivable for which bad debt allowance is made on a portfolio basis are analysed as follows:

	31 December 2024		
	Accounts receivable	Lifetime ECL rate (%)	Bad debt allowance
Within 6 months	64,091,906,397.90	0.31	(200,356,385.52)
6 - 12 months	13,044,511,423.29	2.02	(264,111,870.37)
1 - 2 years	2,579,183,965.06	22.29	(574,945,714.27)
Over 2 years	870,852,891.27	94.99	(827,186,606.02)
Total	80,586,454,677.52		(1,866,600,576.18)

	31 December 2023		
	Accounts receivable	Lifetime ECL rate (%)	Bad debt allowance
Within 6 months	58,693,211,067.08	0.34	(201,312,049.21)
6 - 12 months	12,930,789,281.73	2.11	(272,989,443.87)
1 - 2 years	2,336,857,898.03	23.65	(552,675,636.59)
Over 2 years	777,744,762.97	100.00	(777,744,762.97)
Total	74,738,603,009.81		(1,804,721,892.64)

(iii) For 2024, the bad debt allowance made on an individual basis amounts to RMB155,507,176.83 (2023: RMB19,595,788.74), including recovery or reversal of bad debt allowance of RMB21,624,628.56 (2023: RMB33,269,287.85), with corresponding carrying amount of RMB21,624,628.56 (2023: RMB33,269,287.85). The accounts receivable with significant recovery or reversal are as follows:

	Reasons for reversal/recovery	Basis and appropriateness for determining the original bad debt allowance	Amount reversed or recovered	Recovery method
Accounts receivable1	Recovered in the current year	Upon assessment, it is expected to be unrecoverable	4,550,000.00	Cash
Accounts receivable2	Recovered in the current year	Upon assessment, it is expected to be unrecoverable	2,512,820.00	Cash
Accounts receivable3	Recovered in the current year	Upon assessment, it is expected to be unrecoverable	1,860,508.34	Cash
Others	Recovered in the current year	Upon assessment, it is expected to be unrecoverable	12,701,300.22	Cash
Total			21,624,628.56	

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(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

5. Accounts receivable - continued

- (5) For 2024, the gross carrying amount of accounts receivable written off is RMB28,175,083.88, and the bad debt allowance amounts to RMB28,175,083.88. Therein, the significant accounts receivable are analysed as follows:

	Nature of accounts receivable	Write-off	Reason for write-off	Write-off procedures performed	Caused by related party transactions or not
Accounts receivable1	Loans	4,109,681.41	Long age and unrecoverable	Management approval, special audit	No
Accounts receivable2	Loans	3,174,901.92	Long age and unrecoverable	Management approval, special audit	No
Accounts receivable3	Loans	1,577,246.78	Long age and unrecoverable	Management approval, special audit	No
Others	Loans	19,313,253.77	Long age and unrecoverable	Management approval, special audit	No
Total		28,175,083.88			

6. Receivables financing

	31 December 2024	31 December 2023
Bank acceptances	1,965,669,770.02	2,320,106,012.96

Certain bank acceptances of the Group are discounted and endorsed for the purpose of daily capital management, and satisfy the criteria of derecognition. Therefore, such bank acceptances are classified as financial assets at FVTOCI. For 2024, the Group derecognised bank acceptances with carrying amount of RMB6,097,315,711.45 and RMB10,464,865,399.32 (2023: RMB6,072,770,237.14 and RMB7,651,284,896.39) due to endorsement and discounting, with substantially all risks and rewards of ownership transferred to other parties. The related discounting losses of RMB53,852,952.19 (2023: RMB56,522,117.60) were included in investment loss (Note (IV)58).

As at 31 December 2024, the Group believes that the bank acceptances held are with common credit risk characteristics, and there are no bank acceptances for which loss allowance is made on an individual basis. In addition, the Group believes that the bank acceptances held have no significant credit risks and will not incur significant losses due to bank defaults. The Group measures bad debt allowance based on lifetime ECL, amounting to RMB9,361,859.07 (31 December 2023: RMB9,110,039.80), including RMB251,819.27 (2023: RMB1,476,761.21) recognised in profit or loss for the period.

For 2024, the Group has no write-off of significant receivables financing (2023: Nil).

As at 31 December 2024, the receivables financing endorsed or discounted but unmatured are as follows:

	Derecognised
Bank acceptances	4,014,262,183.75

As at 31 December 2024, the Group has no pledged receivables financing (31 December 2023: Nil).

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(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

7. Prepayments

(1) The aging analysis of prepayments is as follows:

	31 December 2024		31 December 2023	
	Amount	Proportion to total amount (%)	Amount	Proportion to total amount (%)
Within 1 year	1,834,340,888.73	94.19	3,141,734,077.25	98.49
Over 1 year	113,061,538.98	5.81	48,310,230.15	1.51
Total	1,947,402,427.71	100.00	3,190,044,307.40	100.00

As at 31 December 2024, prepayments aged over 1 year amount to RMB113,061,538.98 (31 December 2023: RMB48,310,230.15), which are mainly prepayments for raw materials.

(2) As at 31 December 2024, the top five prepayments based on the balance of the debtors are summarised and analysed as follows:

	Amount	Proportion to total prepayments (%)
Total top five prepayments	179,564,652.79	9.22

8. Other receivables

	31 December 2024	31 December 2023
Compensation receivable from suppliers	1,637,318,559.00	1,550,087,981.00
Guarantees (including deposits)	953,194,927.62	1,085,198,430.37
Receivables from enterprises	228,580,611.56	330,079,830.50
Dividends receivable	94,425,064.16	239,185,992.06
Reserves	34,360,844.07	50,084,485.48
Others	954,506,305.34	962,447,253.20
Gross carrying amount	3,902,386,311.75	4,217,083,972.61
Less: Bad debt allowance	(795,690,702.72)	(835,950,075.72)
Carrying amount	3,106,695,609.03	3,381,133,896.89

The Group has no funds pooled with other parties and classified as other receivables due to centralised fund management.

(1) The aging analysis of other receivables is as follows:

	31 December 2024	31 December 2023
Within 1 year	2,452,639,120.23	2,786,392,569.59
1 to 2 years	379,259,004.42	278,198,844.81
Over 2 years	1,070,488,187.10	1,152,492,558.21
Total	3,902,386,311.75	4,217,083,972.61

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(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

8. Other receivables - continued

(2) Loss allowance and movements in gross carrying amount

The bad debt allowance for other receivables is analysed by category as follows:

	31 December 2024				31 December 2023			
	Gross carrying amount		Bad debt allowance		Gross carrying amount		Bad debt allowance	
	Amount	Proportion to total amount (%)	Amount	Proportion (%)	Amount	Proportion to total amount (%)	Amount	Proportion (%)
Bad debt allowance made on an individual basis (i)	573,795,790.64	14.70	(573,795,790.64)	100.00	565,416,462.73	13.41	(565,416,462.73)	100.00
Bad debt allowance made on a portfolio basis (ii)	3,328,590,521.11	85.30	(221,894,912.08)	6.67	3,651,667,509.88	86.59	(270,533,612.99)	7.41
Total	3,902,386,311.75	100.00	(795,690,702.72)	20.39	4,217,083,972.61	100.00	(835,950,075.72)	19.82

(i) As at 31 December 2024, other receivables for which bad debt allowance is made on an individual basis are analysed as follows:

	Gross carrying amount	Stage 3 - Lifetime ECL rate (%)	Bad debt allowance	Reasons
Other receivables 1	120,000,000.00	100.00	(120,000,000.00)	It is expected to be unrecoverable
Other receivables 2	46,975,257.94	100.00	(46,975,257.94)	It is expected to be unrecoverable
Other receivables 3	41,505,667.35	100.00	(41,505,667.35)	It is expected to be unrecoverable
Other receivables 4	34,033,754.45	100.00	(34,033,754.45)	It is expected to be unrecoverable
Others	331,281,110.90	100.00	(331,281,110.90)	It is expected to be unrecoverable
Total	573,795,790.64		(573,795,790.64)	

As at 31 December 2023, other receivables for which bad debt allowance is made on an individual basis are analysed as follows:

	Gross carrying amount	Stage 3 - Lifetime ECL rate (%)	Bad debt allowance	Reasons
Other receivables 1	120,000,000.00	100.00	(120,000,000.00)	It is expected to be unrecoverable
Other receivables 2	46,975,257.94	100.00	(46,975,257.94)	It is expected to be unrecoverable
Other receivables 3	41,505,667.38	100.00	(41,505,667.38)	It is expected to be unrecoverable
Other receivables 4	34,033,754.45	100.00	(34,033,754.45)	It is expected to be unrecoverable
Others	322,901,782.96	100.00	(322,901,782.96)	It is expected to be unrecoverable
Total	565,416,462.73		(565,416,462.73)	

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(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

8. Other receivables - continued

(2) Loss allowance and movements in gross carrying amount - continued

(ii) As at 31 December 2024 and 31 December 2023, other receivables for which bad debt allowance is made on a portfolio basis are analysed as follows:

	31 December 2024			31 December 2023		
	Gross carrying amount	Loss allowance		Gross carrying amount	Loss allowance	
	Amount	Amount	Proportion (%)	Amount	Amount	Proportion (%)
Stage 1 - 12-month ECL						
Compensation receivable from suppliers	1,611,459,873.08	(10,869,853.07)	0.67	1,527,705,353.00	(10,530,096.69)	0.69
Guarantees (including deposits)	951,369,750.31	(15,653,176.94)	1.65	1,079,606,173.55	(13,237,592.44)	1.23
Dividends receivable	94,425,064.16	(235,128.20)	0.25	239,185,992.06	(119,998.58)	0.05
Receivables from enterprises	90,686,514.02	(592,182.57)	0.65	159,595,989.41	(683,868.54)	0.43
Reserves	33,374,704.40	(633,601.22)	1.90	48,749,582.94	(715,064.58)	1.47
Others	346,758,269.19	(2,814,078.82)	0.81	353,743,502.99	(7,528,615.81)	2.13
Sub-total	3,128,074,175.16	(30,798,020.82)		3,408,586,593.95	(32,815,236.64)	
Stage 3 - Lifetime ECL rate						
Receivables from enterprises	21,410,402.52	(20,437,388.88)	95.46	23,209,991.57	(22,999,596.98)	99.09
Compensation receivable from suppliers	16,320,379.85	(15,876,202.77)	97.28	22,382,628.00	(21,997,231.02)	98.28
Reserves	976,139.67	(945,116.60)	96.82	1,334,902.54	(1,296,963.72)	97.16
Others	161,809,423.91	(153,838,183.01)	95.07	196,153,393.82	(191,424,584.63)	97.59
Sub-total	200,516,345.95	(191,096,891.26)		243,080,915.93	(237,718,376.35)	
Total	3,328,590,521.11	(221,894,912.08)		3,651,667,509.88	(270,533,612.99)	

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

(3) For 2024, the reversals of bad debt allowance for other receivables at stage 1 and stage 3 amount to RMB2,017,215.82 and RMB30,455,255.55 respectively, mainly representing the effect of recovery or reverse of other receivables in the current year on measurement of ECL.

For 2024, the Group has reversal or recovery of bad debt allowance made on an individual basis amounting to RMB10,953,022.19, with corresponding gross carrying amount was RMB10,953,022.19. Other receivables with significant amount of recovery or reversal are as follows:

	Reasons for reversal/recovery	Basis and appropriateness for determining the original bad debt allowance	Amount reversed or recovered	Recovery method
Other receivables 1	Recovered in the current year	Upon assessment, it is expected to be unrecoverable	4,068,879.60	Cash
Other receivables 2	Recovered in the current year	Upon assessment, it is expected to be unrecoverable	2,751,000.00	Cash
Other receivables 3	Recovered in the current year	Upon assessment, it is expected to be unrecoverable	1,516,079.51	Cash
Others	Recovered in the current year	Upon assessment, it is expected to be unrecoverable	2,617,063.08	Cash
Total			10,953,022.19	

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(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

8. Other receivables - continued

- (4) For 2024, the gross carrying amount of and bad debt allowance for other receivables written off amount to RMB13,399,981.56 and RMB13,399,981.56 respectively. Therein, the significant other receivables are analysed as follows:

	Nature	Write-off amount	Reasons for write-off	Write-off procedures performed	Caused by related party transactions or not
Other receivables 1	Current accounts	7,297,588.99	Long aged and unrecoverable	Management approval, special audit	No
Other receivables 2	Current accounts	2,560,009.99	Long aged and unrecoverable	Management approval, special audit	No
Other receivables 3	Current accounts	1,496,915.56	Long aged and unrecoverable	Management approval, special audit	No
Others	Current accounts	2,045,467.02	Long aged and unrecoverable	Management approval, special audit	No
Total		13,399,981.56			

- (5) As at 31 December 2024, the top five other receivables based on the balance of the debtors are summarised and analysed as follows:

	Nature	Balance	Aging	Proportion to total other receivables (%)	Bad debt allowance
Other receivables 1	Others	120,000,000.00	Over 5 years	3.08	(120,000,000.00)
Other receivables 2	Compensation from suppliers	97,436,018.45	Within 1 year	2.50	(535,898.10)
Other receivables 3	Guarantees	85,000,000.00	Over 4 years	2.18	(51,000.00)
Other receivables 4	Compensation from suppliers	63,624,708.08	Within 1 year	1.63	(349,935.89)
Other receivables 5	Dividends	50,000,000.00	Within 1 year	1.28	-
		416,060,726.53		10.67	(120,936,833.99)

- (6) As at 31 December 2024 and 31 December 2023, the Group has no overdue dividends receivable.

9. Inventories

- (1) Inventories are classified as follows:

	31 December 2024			31 December 2023		
	Gross carrying amount	Provision for decline in value of inventories	Carrying amount	Gross carrying amount	Provision for decline in value of inventories	Carrying amount
Raw materials	1,496,481,236.49	(145,946,935.45)	1,350,534,301.04	1,742,195,300.47	(154,331,731.94)	1,587,863,568.53
Turnover materials	55,518,199.25	-	55,518,199.25	56,028,639.30	-	56,028,639.30
Consigned processing materials	6,408,260.26	-	6,408,260.26	4,835,415.44	-	4,835,415.44
Work in progress	870,398,995.57	-	870,398,995.57	908,980,333.77	-	908,980,333.77
Finished goods	37,941,047,673.68	(1,280,623,313.56)	36,660,424,360.12	35,317,620,993.87	(1,252,433,376.58)	34,065,187,617.29
Consumable biological assets	385,620.84	-	385,620.84	498,355.74	-	498,355.74
Total	40,370,239,986.09	(1,426,570,249.01)	38,943,669,737.08	38,030,159,038.59	(1,406,765,108.52)	36,623,393,930.07

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(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

9. Inventories - continued

(2) The analysis of provision for decline in value of inventories is as follows:

	31 December 2023	Provision	Write-off	31 December 2024
Raw materials	154,331,731.94	8,713,607.19	(17,098,403.68)	145,946,935.45
Finished goods (i)	1,252,433,376.58	130,484,002.82	(102,294,065.84)	1,280,623,313.56
Total	1,406,765,108.52	139,197,610.01	(119,392,469.52)	1,426,570,249.01

(i) Among which, the analysis of provision for decline in value of inventories for portfolio of near-expired finished goods is as follows:

	31 December 2024			31 December 2023		
	Gross carrying amount	Provision for decline in value of inventories		Gross carrying amount	Provision for decline in value of inventories	
	Amount	Proportion (%)	Amount	Amount	Proportion (%)	Amount
Within 1 year	4,611,775,388.43	15.70	(724,169,658.16)	3,647,501,720.68	26.19	(955,122,136.60)
Over 1 year	29,020,669,216.51	0.05	(15,955,816.64)	27,443,843,044.90	0.45	(124,642,043.25)
Total	33,632,444,604.94		(740,125,474.80)	31,091,344,765.58		(1,079,764,179.85)

10. Other current assets

	31 December 2024	31 December 2023
Taxes to be deducted and prepaid	969,122,605.01	944,268,391.35
Input VAT to be certified	162,142,048.67	382,508,021.58
Total	1,131,264,653.68	1,326,776,412.93

11. Investments in other equity instruments

	31 December 2024	31 December 2023
Investments in equity instruments (i)	43,899,340.70	55,416,725.20

	31 December 2024	31 December 2023
Investments in equity instruments		
Shares of listed companies		
- Tianda Pharmaceuticals Limited ("Tianda Pharma")	43,899,340.70	55,416,725.20

	31 December 2024	31 December 2023
Tianda Pharma		
- Cost	87,851,852.85	87,851,852.85
- Accumulated changes in fair value	(43,952,512.15)	(32,435,127.65)
	43,899,340.70	55,416,725.20

(i) The Group, out of strategic investment concern, designated such equity investments as financial assets at FVTOCI under investments in other equity instruments.

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(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

12. Other non-current financial assets

	31 December 2024	31 December 2023
Investments in equity instruments		
- Shares of listed companies (a)	4,455,830.81	318,512,451.78
- Equity of unlisted companies (b)	1,720,212,300.42	1,876,859,415.97
	1,724,668,131.23	2,195,371,867.75

Details of other non-current financial assets are as follows:

	31 December 2024	31 December 2023
(a) Shares of listed companies		
- Cost	1,372,977.16	333,091,877.16
- Accumulated changes in fair value	3,082,853.65	(4,445,183.63)
- Accumulated translation differences of financial statements denominated in foreign currencies	-	(10,134,241.75)
	4,455,830.81	318,512,451.78
(b) Equity of unlisted companies		
- Cost	1,710,834,338.62	1,704,351,014.16
- Accumulated changes in fair value	9,377,961.80	172,508,401.81
	1,720,212,300.42	1,876,859,415.97

13. Long-term receivables

	31 December 2024	31 December 2023
Guarantees receivable (Note) - total amount	176,368,005.00	187,277,584.30
Medical equipment receivable - total amount	123,298,919.04	145,520,888.66
Receivables from enterprises - total amount	294,583,979.86	43,268,960.00
Unrealised finance income	(70,737,963.09)	(52,721,653.14)
Less: Bad debt allowance	(53,656,818.78)	(17,986,152.73)
Less: Long-term receivables due within one year	(83,611,615.14)	(77,420,057.49)
Long-term receivables due after one year	386,244,506.89	227,939,569.60

Note: The amounts are the Group's paid guarantees with recovery period of over one year.

(1) Loss allowance and movements in gross carrying amount

The bad debt allowance for long-term receivables is analysed by category as follows:

	31 December 2024				31 December 2023			
	Gross carrying amount		Bad debt allowance		Gross carrying amount		Bad debt allowance	
	Amount	Proportion to total amount (%)	Amount	Proportion (%)	Amount	Proportion to total amount (%)	Amount	Proportion (%)
Bad debt allowance made on an individual basis (i)	12,893,490.33	2.46	(12,893,490.33)	100.00	12,893,490.33	3.99	(12,893,490.33)	100.00
Bad debt allowance made on a portfolio basis (ii)	510,619,450.48	97.54	(40,763,328.45)	7.98	310,452,289.49	96.01	(5,092,662.40)	1.64
Total	523,512,940.81	100.00	(53,656,818.78)	10.25	323,345,779.82	100.00	(17,986,152.73)	5.56

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(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

13. Long-term receivables - continued

(1) Loss allowance and movements in gross carrying amount - continued

(i) As at 31 December 2024, long-term receivables for which bad debt allowance is made on an individual basis are analysed as follows:

	Gross carrying amount	Stage 3 - Lifetime ECL rate (%)	Bad debt allowance	Reasons
Long-term receivables 1	12,893,490.33	100.00	12,893,490.33	It is expected to be unrecoverable

(ii) As at 31 December 2024 and 31 December 2023, long-term receivables of the Group on a portfolio basis are all at stage 1.

14. Long-term equity investments

	31 December 2024	31 December 2023
Joint ventures (1)	2,301,104,882.67	2,084,440,824.94
Associates (2)	5,986,403,712.45	6,462,704,871.02
Less: Provision for impairment of long-term equity investments	(220,663,722.23)	(195,235,585.79)
Total	8,066,844,872.89	8,351,910,110.17

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(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

14. Long-term equity investments - continued

(1) Joint ventures

	31 December 2023	Changes for the year							31 December 2024	Impairment provision		
		Investment made in the current year	Decrease in investment	Net profit or loss adjusted using equity method	Adjustment to other comprehensive income	Other equity changes	Cash dividends declared	Impairment provision		Others	31 December 2024	31 December 2023
SPH-Biocad (HK)Limited	1,286,198,844.25	-	-	(42,236,936.53)	-	-	-	-	18,753,104.85	1,262,715,012.57	-	-
Shanghai Hutchison Pharmaceutical Co., Ltd.	329,774,650.67	-	-	336,828,233.20	-	-	(105,861,861.60)	-	(2,583,101.08)	558,157,921.19	-	-
Jiangxi Nanhua Medicines Co., Ltd.	414,697,316.99	-	-	17,633,429.15	-	-	-	-	623,899.55	432,954,645.69	-	-
Zhejiang Shangyao Jiuzhou Biopharmaceutical Co., Ltd.	30,352,617.35	-	-	(4,924,480.91)	-	-	-	(25,428,136.44)	-	-	(25,428,136.44)	-
Others	21,670,030.32	-	-	(1,568,228.90)	-	-	-	-	-	20,101,801.42	(1,747,365.36)	(1,747,365.36)
Total	2,082,693,459.58	-	-	305,732,016.01	-	-	(105,861,861.60)	(25,428,136.44)	16,793,903.32	2,273,929,380.87	(27,175,501.80)	(1,747,365.36)

Related information of equity in joint ventures of the Group is set out in Note (V)2.

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(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

14. Long-term equity investments - continued

(2) Associates

	31 December 2023	Changes for the year								31 December 2024	Impairment provision	
		Investment made in the current year	Decrease in investme nt	Net profit or loss adjusted using equity method	Adjustment to other comprehensive income	Other equity changes	Cash dividends declared	Impairmen t provision	Others		31 December 2024	31 December 2023
Shanghai Pharma Health Commerce Co., Ltd.	1,387,325,618.96	-	-	(24,831,292.67)	-	45,758,485.16	-	-	(582,224.81)	1,407,670,586.64	-	-
Shanghai Roche Pharmaceutical Co., Ltd.	1,480,056,603.53	-	-	95,294,930.55	-	5,093,100.00	(474,202,658.27)	-	1,119,433.12	1,107,361,408.93	-	-
Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.	478,111,921.17	-	-	7,844,456.29	(29,994.05)	188,549.42	(18,912,830.40)	-	-	467,202,102.43	-	-
Shanghai Industrial Group Finance Co., Ltd.	420,923,897.33	-	-	18,163,601.72	-	-	(9,733,715.58)	-	-	429,353,783.47	-	-
Beijing Lianxin Pharmaceutical Co., Ltd.	304,083,905.70	-	-	45,439,337.39	-	-	(42,000,000.00)	-	-	307,523,243.09	-	-
Shanghai Lianyi Investment Center (Limited Partnership)	303,063,205.93	-	-	(40,763,556.01)	-	-	(20,385,589.84)	-	-	241,914,060.08	-	-
Shanghai Tsumura Pharmaceuticals Co., Ltd.	245,558,905.91	-	-	15,288,267.95	-	-	(22,865,000.00)	-	-	237,982,173.86	-	-
Sino-American Shanghai Squibb Pharmaceuticals Ltd.	226,307,546.83	-	-	82,144,090.11	-	-	(87,450,977.00)	-	(7,889,457.27)	213,111,202.67	-	-
Hangzhou Huqing Yutang Pharmaceutical Co., Ltd.	162,190,024.68	-	-	17,499,124.12	-	-	(12,762,400.00)	-	-	166,926,748.80	-	-
Shanghai Bracco Sine Pharmaceutical Corp., Ltd.	125,741,247.04	-	-	44,903,601.30	-	-	(30,000,000.00)	-	(20,012.10)	140,624,836.24	-	-
Shanghai Ajinomoto Amino Acid Co., Ltd.	124,860,624.00	-	-	9,356,458.54	-	-	(5,411,142.47)	-	-	128,805,940.07	-	-
Chengdu Wesker Biomedical Co., Ltd.	126,343,241.21	-	-	(7,358,561.69)	-	-	-	-	-	118,984,679.52	-	-
Shanghai Shangshi Biomedical Innovation and Transformation Private Investment Fund LLP	105,362,538.02	-	-	4,496,033.77	-	-	-	-	-	109,858,571.79	-	-
West China Precision Medicine Industrial Innovation Center	97,852,653.02	-	-	(2,984,875.41)	-	-	-	-	-	94,867,777.61	-	-
Shanghai Good Health Capital LLP	107,315,367.78	-	-	(1,871,792.85)	-	-	(23,888,407.29)	-	-	81,555,167.64	-	-
Sichuan Greentech Bio-technology Co., Ltd.	62,953,025.79	-	-	3,355,255.39	-	-	-	-	-	66,308,281.18	-	-
Shanghai Leiyunshang Northern Area Medicine General Co., Ltd.	63,049,927.63	-	-	1,848,842.81	-	-	(2,433,200.00)	-	-	62,465,570.44	-	-

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(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

14. Long-term equity investments - continued

(2) Associates - continued

	31 December 2023	Changes for the year								31 December 2024	Impairment provision	
		Investment made in the current year	Decrease in investment	Net profit or loss adjusted using equity method	Adjustment to other comprehensive income	Other equity changes	Cash dividends declared	Impairment provision	Others		31 December 2024	31 December 2023
Chongqing Pharmaceuticals Shanghai Medicine Sales Co., Ltd.	59,757,831.03	-	-	3,668,107.23	-	-	(2,410,800.00)	-	-	61,015,138.26	-	-
Shanghai Chest Medical Instruments Co., Ltd.	51,102,557.77	-	-	3,947,927.78	-	-	-	-	-	55,050,485.55	-	-
Shanghai Huashi Pharmaceutical Storage & Transportation Co., Ltd.	56,302,976.56	-	-	(1,485,151.95)	-	-	-	-	-	54,817,824.61	-	-
Shanghai Xun Yao Biotechnology Co., Ltd.	38,783,803.90	-	-	(12,194,583.15)	-	25,160,558.89	-	-	-	51,749,779.64	-	-
Shanghai Huiyong Medicine Research Co., Ltd.	77,687,103.51	-	-	(37,574,892.42)	-	-	-	-	-	40,112,211.09	-	-
Shanghai Sine Promod Pharmaceutical Co., Ltd.	21,311,837.26	-	-	2,507,478.01	-	-	-	-	-	23,819,315.27	-	-
A.M.Pappas Life Science Venture V,LP	19,502,459.32	1,783,642.87	-	(4,458,979.56)	-	-	-	-	-	16,827,122.63	-	-
Shangshi Commercial Factoring Co., Ltd.	-	-	-	-	-	-	-	-	-	-	(154,799,830.72)	(154,799,830.72)
Shanghai Shangyao Kangxinuo Biopharmaceutical Co., Ltd.	-	-	-	-	-	-	-	-	-	-	(25,874,404.13)	(25,874,404.13)
Other investments	123,667,826.71	-	(1,031,435.16)	(6,056,849.76)	-	573,856.64	(8,729,362.82)	-	(1,416,555.10)	107,007,480.51	(12,813,985.58)	(12,813,985.58)
Total	6,269,216,650.59	1,783,642.87	(1,031,435.16)	216,176,977.49	(29,994.05)	76,774,550.11	(761,186,083.67)	-	(8,788,816.16)	5,792,915,492.02	(193,488,220.43)	(193,488,220.43)

(i) Related information of equity in the associates of the Group is set out in Note (V)2.

(ii) Shanghai Fudan-Zhangjiang Bio-pharmaceutical Co., Ltd. is a domestic and Hong Kong listed company. As at 31 December 2024, the market value of the equity investments held by the Group amounts to RMB1,231,316,468.14.

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(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

15. Investment properties

	Buildings	Land use rights	Total
Cost			
31 December 2023	554,542,131.57	25,835,071.05	580,377,202.62
Transfer from fixed assets	113,704,762.72	-	113,704,762.72
Transfer to fixed assets	(18,173,805.38)	-	(18,173,805.38)
Translation differences of financial statements denominated in foreign currencies	257,456.17	-	257,456.17
31 December 2024	650,330,545.08	25,835,071.05	676,165,616.13
Accumulated depreciation			
31 December 2023	(258,679,225.78)	(7,024,899.18)	(265,704,124.96)
Charged for the year	(13,824,169.15)	(2,123,438.42)	(15,947,607.57)
Transfer from fixed assets	(42,012,130.99)	-	(42,012,130.99)
Transfer to fixed assets	13,577,843.35	-	13,577,843.35
Translation differences of financial statements denominated in foreign currencies	(69,295.73)	-	(69,295.73)
31 December 2024	(301,006,978.30)	(9,148,337.60)	(310,155,315.90)
Carrying amount			
31 December 2024	349,323,566.78	16,686,733.45	366,010,300.23
31 December 2023	295,862,905.79	18,810,171.87	314,673,077.66

For 2024, the depreciation of investment properties amounted to RMB15,947,607.57 (2023: RMB14,355,120.07).

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(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

16. Fixed assets

	Buildings	Machinery and equipment	Transportation vehicles	Electronic equipment	Other equipment	Total
Cost						
31 December 2023	10,960,728,368.57	7,203,223,040.18	426,523,225.75	1,310,831,897.46	1,175,192,246.62	21,076,498,778.58
Increase in the current year						
Additions	55,184,963.17	244,692,427.73	25,340,302.32	75,170,036.66	60,676,406.79	461,064,136.67
Transfer from construction in progress	2,644,693,366.96	789,501,111.90	1,364,347.24	55,057,352.74	260,515,674.01	3,751,131,852.85
Transfer from investment properties	18,173,805.38	-	-	-	-	18,173,805.38
Other transfer-ins	11,837,284.56	47,929,915.78	593,707.96	1,024,336.77	4,707,388.69	66,092,633.76
Decrease in the current year						
Disposals	(41,969,870.30)	(90,170,092.82)	(40,713,611.24)	(71,835,731.69)	(36,402,900.96)	(281,092,207.01)
Transfer to investment properties	(113,704,762.72)	-	-	-	-	(113,704,762.72)
Translation differences of financial statements denominated in foreign currencies	(1,370,365.02)	(13,484,395.91)	(781,812.10)	(2,342,740.03)	(2,917,505.23)	(20,896,818.29)
31 December 2024	13,533,572,790.60	8,181,692,006.86	412,326,159.93	1,367,905,151.91	1,461,771,309.92	24,957,267,419.22
Accumulated depreciation						
31 December 2023	(3,271,117,770.15)	(3,608,489,994.41)	(313,585,055.89)	(900,777,639.02)	(691,424,921.53)	(8,785,395,381.00)
Increase in the current year						
Charged for the year	(371,215,565.13)	(571,727,499.68)	(36,818,531.19)	(150,011,178.90)	(148,585,466.45)	(1,278,358,241.35)
Transfer from investment properties	(13,577,843.35)	-	-	-	-	(13,577,843.35)
Other transfer-ins	(8,977,828.87)	(40,605,360.88)	(9,895.13)	(399,634.05)	(1,723,969.11)	(51,716,688.04)
Decrease in the current year						
Disposals	33,493,638.17	80,550,034.84	37,485,793.06	54,156,038.78	26,111,408.51	231,796,913.36
Transfer to investment properties	42,012,130.99	-	-	-	-	42,012,130.99
Translation differences of financial statements denominated in foreign currencies	356,462.89	5,178,011.55	360,846.46	966,171.52	1,896,056.91	8,757,549.33
31 December 2024	(3,589,026,775.45)	(4,135,094,808.58)	(312,566,842.69)	(996,066,241.67)	(813,726,891.67)	(9,846,481,560.06)
Impairment provision						
31 December 2023	(55,389,539.99)	(64,387,657.97)	(981,556.27)	(13,107,270.00)	(2,182,706.67)	(136,048,730.90)
Increase in the current year						
Charged for the year	(22,971,302.87)	(43,987,027.27)	(923,173.96)	(435,653.76)	(4,675,400.63)	(72,992,558.49)
Decrease in the current year						
Disposals	-	203,861.51	532,329.89	8,430,262.31	-	9,166,453.71
Translation differences of financial statements denominated in foreign currencies	-	-	124,674.91	9,507.45	-	134,182.36
31 December 2024	(78,360,842.86)	(108,170,823.73)	(1,247,725.43)	(5,103,154.00)	(6,858,107.30)	(199,740,653.32)
Carrying amount						
31 December 2024	9,866,185,172.29	3,938,426,374.55	98,511,591.81	366,735,756.24	641,186,310.95	14,911,045,205.84
31 December 2023	7,634,221,058.43	3,530,345,387.80	111,956,613.59	396,946,988.44	481,584,618.42	12,155,054,666.68

As at 31 December 2024, buildings, machinery and equipment with carrying amount of RMB1,536,404,521.95 (Cost: RMB1,600,587,535.07) and 563,475.25 square metres of land use rights (Cost: RMB565,071,709.05, Carrying amount: RMB524,993,936.22) (Note (IV)20) are pledged as collaterals for short-term borrowings of RMB200,753,638.89 (Note (IV) 27(1)), long-term borrowings of RMB1,225,904,916.33 (Note (IV) 37(1)) and long-term borrowings due within one year of RMB1,000,000.00 (Note (IV)(35)).

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(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

16. Fixed assets - continued

As at 31 December 2023, buildings, machinery and equipment with carrying amount of RMB165,312,888.36 (Cost: RMB280,419,509.37) and 506,726.95 square metres of land use rights (Cost: RMB736,538,167.84, Carrying amount: RMB694,978,246.52) (Note (IV)20) are pledged as collaterals for short-term borrowings of RMB231,400,000.00 (Note (IV) 27(1)), long-term borrowings of RMB733,387,483.14 (Note (IV) 37(1)), and long-term borrowings due within one year of RMB27,000,000.00 (Note (IV)(35)).

For 2024, depreciation charged to fixed assets amounted to RMB1,278,358,241.35 (2023: RMB1,101,595,194.23), of which RMB539,428,536.29, RMB198,916,365.79, RMB379,689,471.58 and RMB160,323,867.69 (2023: RMB469,748,594.41, RMB170,853,186.53, RMB319,063,579.51 and RMB141,929,833.78) were charged to operating costs, selling expenses, administrative expenses and R&D expenses respectively.

For 2024, the cost of fixed assets transferred from construction in progress amounted to RMB3,751,131,852.85 (2023: RMB1,445,239,657.50).

(1) Temporarily idle fixed assets

As at 31 December 2024, the Group has no significant temporarily idle fixed assets (31 December 2023: Nil).

(2) Fixed assets with pending certificates of ownership:

	Carrying amount	Reasons for not obtaining certificates of ownership yet
Buildings	1,623,863,522.04	Still in process

17. Construction in progress

	31 December 2024			31 December 2023		
	Gross carrying amount	Impairment provision	Carrying amount	Gross carrying amount	Impairment provision	Carrying amount
Construction in progress	2,161,447,743.90	(12,796,135.30)	2,148,651,608.60	3,586,893,382.26	(17,264,328.89)	3,569,629,053.37

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(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

17. Construction in progress - continued

(1) Changes in significant construction in progress projects

Name	Budget (RMB '000)	31 December 2023	Increase in the current year	Transfer to fixed assets	Other decrease	31 December 2024	Proportion of construction input to budget (%)	Construction progress (%)	Accumulative amount of capitalised borrowing costs	Including: Capitalised borrowing costs in the current year	Capitalisation rate in the current year (%)	Sources of funds
Shanghai Pharma Biopharmaceutical Industry Base(i)	208,800.00	766,955,308.77	828,855,623.02	(1,564,167,000.62)	(31,643,931.17)	-	76.43	100.00	37,188,013.24	18,704,395.33	3.05	Self-owned funds/borrowings
Hangzhou Qingchun Zhechuang Industrial Investment Co., Ltd. Project Land	114,742.00	201,928,607.90	74,413,018.33	-	-	276,341,626.23	24.08	23.60	-	-	-	Self-owned funds
Suide Road Phase II Project of Shanghai Pharmaceutical Logistics Center	84,921.25	281,308,631.44	244,377,476.46	(458,393,307.78)	(1,848,897.80)	65,443,902.32	61.90	61.90	-	-	-	Self-owned funds
SPH Sine Jiangchang West Road New Construction Project	76,799.00	246,856,869.18	121,425,848.61	-	-	368,282,717.79	47.95	47.95	-	-	-	Self-owned funds
Liaoning Meiya Pharmaceutical Co., Ltd. relocation project	64,884.55	133,227,588.68	4,217,361.18	(21,990.83)	(13,476,773.26)	123,946,185.77	21.18	32.10	-	-	-	Self-owned funds
SPH Lingang Phase I Project	57,180.00	184,591,301.87	76,464,811.00	-	-	261,056,112.87	45.66	56.90	-	-	-	Self-owned funds
Shandong Sine API, Tablet and Supporting Facilities Construction Project(ii)	51,097.00	326,706,492.69	167,642,457.12	(481,588,949.81)	(12,760,000.00)	-	96.75	100.00	-	-	-	Self-owned funds
SPH Shandong Holdings Head Office Construction Project	44,178.00	1,971,690.88	86,375,862.94	-	-	88,347,553.82	20.00	23.40	-	-	-	Self-owned funds
SPH No. 1 Biochemical and Pharmaceutical Jinshan Green Pharmaceutical Quality Base	42,121.00	224,712,989.04	204,965,724.42	(331,548,306.19)	(447,496.64)	97,682,910.63	102.01	100.00	-	-	-	Self-owned funds
Shanghai Pharmaceutical Xinya Industrial Layout Integration and Chuansha Road Base Renovation Project	29,943.00	109,312,661.62	44,572,985.71	(86,439,330.10)	(784,880.20)	66,661,437.03	51.39	51.39	-	-	-	Self-owned funds
Huaxi Logistics Center Phase I Project	27,624.00	83,791,676.21	119,844,478.15	(198,109,544.38)	(2,368,508.55)	3,158,101.43	73.72	73.72	-	-	-	Self-owned funds
Nantong Changyou Chemicals Co., Ltd. Phase III Project	27,345.46	27,901,868.33	79,042,838.84	-	-	106,944,707.17	41.11	41.11	-	-	-	Self-owned funds
Zhejiang Yongsheng Modern Medical Logistics Center Phase II Construction Project	22,973.00	59,718,457.73	54,930,677.36	(92,590,740.60)	-	22,058,394.49	49.91	49.91	-	-	-	Self-owned funds
SPH Sine Microecological Innovation Drug Transformation Center and Industrialisation Project	19,675.00	100,632,030.11	48,264,428.33	-	-	148,896,458.44	75.68	75.68	-	-	-	Self-owned funds
SPH Zhongxi Preparation Special Line Workshop Raised Storage Racks Project(iii)	19,039.20	102,882,009.15	4,026,236.12	(106,908,245.27)	-	-	97.96	100.00	-	-	-	Self-owned funds
SPH Cloud Data Center Construction Project	17,850.00	31,553,212.79	14,209,390.84	(3,334,520.35)	-	42,428,083.28	26.60	25.64	-	-	-	Self-owned funds
Shanghai Medical Instruments Co., Ltd. Baoshan Production Base Renovation Project	16,738.21	122,371,963.35	16,039,604.70	(124,983,602.16)	(8,121,584.60)	5,306,381.29	83.26	100.00	-	-	-	Self-owned funds
Liaoning Herpapex Traditional Chinese Medicine Decoction Production Line Construction Project	13,224.00	55,497,644.60	29,225,382.33	(83,706,095.72)	-	1,016,931.21	74.20	100.00	-	-	-	Self-owned funds
Others		524,972,377.92	402,026,832.40	(219,340,219.04)	(223,782,751.15)	483,876,240.13			-	-	-	
Total		3,586,893,382.26	2,620,921,037.86	(3,751,131,852.85)	(295,234,823.37)	2,161,447,743.90			-	-	-	

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(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

17. Construction in progress - continued

(1) Changes in significant construction in progress projects - continued

- (i) The self-built Shanghai Pharma Biopharmaceutical Industry Base of the Group was completed and accepted in 2024, ready for intended use, and accordingly, it was transferred to fixed assets.
- (ii) The self-built Shandong Sine API, Tablet and Supporting Facilities Construction Project of the Group was completed and accepted in 2024, ready for intended use, and accordingly, it was transferred to fixed assets.
- (iii) The self-built SPH Zhongxi Preparation Special Line Workshop Raised Storage Racks Project of the Group was completed and accepted in 2024, ready for intended use, and accordingly, it was transferred to fixed assets.

(2) Provision for impairment of construction in progress

	31 December 2023	Increase in the current year	Decrease in the current year	31 December 2024
Others	(17,264,328.89)	(264,234.54)	4,732,428.13	(12,796,135.30)

- (3) As at 31 December 2024, the progress of the construction in progress of the Group is estimated based on the proportion of construction input to budget.

18. Bearer biological assets

	Mature biological assets	Immature biological assets	Total
Cost			
31 December 2023	436,052,402.09	4,772,927.86	440,825,329.95
Increase in the current year			
Purchase	-	3,241,487.36	3,241,487.36
Transfer from immature biological assets	2,789,571.18	-	2,789,571.18
Others	-	41,470.00	41,470.00
Decrease in the current year			
Transfer to mature biological assets	-	(2,789,571.18)	(2,789,571.18)
31 December 2024	438,841,973.27	5,266,314.04	444,108,287.31
Accumulated depreciation			
31 December 2023	(49,105,223.13)	-	(49,105,223.13)
Increase in the current year			
Charged for the year	(3,328,266.55)	-	(3,328,266.55)
31 December 2024	(52,433,489.68)	-	(52,433,489.68)
Impairment provision			
31 December 2023	(258,292,956.76)	-	(258,292,956.76)
Charged for the year	-	-	-
31 December 2024	(258,292,956.76)	-	(258,292,956.76)
Carrying amount			
31 December 2024	128,115,526.83	5,266,314.04	133,381,840.87
31 December 2023	128,654,222.20	4,772,927.86	133,427,150.06

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(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

19. Right-of-use assets

	Buildings	Machinery and equipment	Total
Cost			
31 December 2023	4,837,547,267.95	33,958,490.60	4,871,505,758.55
Increase in the current year			
New lease contracts	808,466,282.06	2,004,710.60	810,470,992.66
Decrease in the current year			
Decrease in lease contracts	(1,020,332,885.13)	(5,521,575.52)	(1,025,854,460.65)
Translation differences of financial statements denominated in foreign currencies	(30,666,969.40)	-	(30,666,969.40)
31 December 2024	4,595,013,695.48	30,441,625.68	4,625,455,321.16
Accumulated depreciation			
31 December 2023	(2,699,474,420.53)	(5,281,427.48)	(2,704,755,848.01)
Increase in the current year			
Charged for the year	(720,352,112.98)	(872,062.34)	(721,224,175.32)
Decrease in the current year			
Decrease in lease contracts	872,316,600.29	3,533,288.77	875,849,889.06
Translation differences of financial statements denominated in foreign currencies	8,109,131.12	-	8,109,131.12
31 December 2024	(2,539,400,802.10)	(2,620,201.05)	(2,542,021,003.15)
Impairment provision			
31 December 2023	(18,438,778.48)	-	(18,438,778.48)
Increase in the current year			
Charged for the year	(83,448,826.84)	-	(83,448,826.84)
Decrease in the current year			
Decrease in lease contracts	184,905.66	-	184,905.66
31 December 2024	(101,702,699.66)	-	(101,702,699.66)
Carrying amount			
31 December 2024	1,953,910,193.72	27,821,424.63	1,981,731,618.35
31 December 2023	2,119,634,068.94	28,677,063.12	2,148,311,132.06

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(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

20. Intangible assets

	Land use rights	Business network	Brands and trademarks	Know-how and patents	Software and others	Total
Cost						
31 December 2023	4,737,403,741.36	2,357,625,065.09	649,297,120.60	1,087,349,443.11	899,590,241.87	9,731,265,612.03
Increase in the current year						
Additions	-	-	-	2,352,947.16	56,687,175.61	59,040,122.77
Transfer from development expenditure	-	-	-	-	60,574,803.38	60,574,803.38
Transfer from construction in progress	13,233,202.83	-	-	-	38,249,578.87	51,482,781.70
Decrease in the current year						
Disposals and write-off	(91,140,620.47)	(39,305,506.29)	-	(70,898,946.94)	(17,060,203.33)	(218,405,277.03)
Translation differences of financial statements denominated in foreign currencies	-	-	(31,629,834.24)	(553,031.28)	(2,853,448.66)	(35,036,314.18)
31 December 2024	4,659,496,323.72	2,318,319,558.80	617,667,286.36	1,018,250,412.05	1,035,188,147.74	9,648,921,728.67
Accumulated amortisation						
31 December 2023	(683,771,320.53)	(1,576,092,374.34)	(50,469,873.48)	(503,823,675.86)	(644,699,934.87)	(3,458,857,179.08)
Increase in the current year						
Charged for the period	(101,793,016.27)	(144,650,913.58)	-	(44,685,603.78)	(130,717,424.25)	(421,846,957.88)
Decrease in the current year						
Disposals and write-off	9,429,371.72	38,717,638.36	-	-	6,464,187.36	54,611,197.44
Translation differences of financial statements denominated in foreign currencies	-	-	2,060,258.06	537,656.55	545,730.19	3,143,644.80
31 December 2024	(776,134,965.08)	(1,682,025,649.56)	(48,409,615.42)	(547,971,623.09)	(768,407,441.57)	(3,822,949,294.72)
Impairment provision						
31 December 2023	(16,650,838.77)	-	(49,793,067.97)	(152,765,558.04)	(2,363,020.71)	(221,572,485.49)
Increase in the current year						
Charged for the period	-	-	(54,102,944.00)	(4,851,753.19)	(2,386,825.94)	(61,341,523.13)
Decrease in the current year						
Disposals and write-off	-	-	-	70,897,827.00	1,058,057.00	71,955,884.00
Translation differences of financial statements denominated in foreign currencies	-	-	2,448,121.00	-	-	2,448,121.00
31 December 2024	(16,650,838.77)	-	(101,447,890.97)	(86,719,484.23)	(3,691,789.65)	(208,510,003.62)
Carrying amount						
31 December 2024	3,866,710,519.87	636,293,909.24	467,809,779.97	383,559,304.73	263,088,916.52	5,617,462,430.33
31 December 2023	4,036,981,582.06	781,532,690.75	549,034,179.15	430,760,209.21	252,527,286.29	6,050,835,947.46

For 2024, the amortisation of intangible assets amounts to RMB421,846,957.88(2023: RMB436,195,225.03).

As at 31 December 2024, certificates of ownership for land use rights with carrying amount of RMB237,127,901.47 (Cost: RMB261,116,259.09) (31 December 2023: Carrying amount: RMB742,278.00 (Cost: RMB3,340,802.00)) are still in process.

As at 31 December 2024 and 31 December 2023, details of land use rights, buildings and machinery and equipment pledged as collateral for short-term borrowings, long-term borrowings and long-term borrowings due within one year are set out in Note (IV)16.

As at 31 December 2024, the intangible assets arising from the Group's internal research and development accounts for 2.02% (31 December 2023: 2.12%) of the carrying amount of intangible assets.

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(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

21. Development expenditure

The Group's total expenditure in R&D activities for 2024 by nature is as follows:

	2024		
	R&D expenses	Development expenditure	Total
Employee benefits	970,165,455.59	15,256,670.21	985,422,125.80
Technical development expenses	610,819,081.93	67,665,702.71	678,484,784.64
Materials consumed	256,579,244.86	1,383,748.12	257,962,992.98
Depreciation and amortisation	232,320,830.47	-	232,320,830.47
Test fees	125,864,905.01	-	125,864,905.01
Others	198,684,292.35	4,881,996.18	203,566,288.53
	2,394,433,810.21	89,188,117.22	2,483,621,927.43

The Group's total expenditure in R&D activities for 2023 by nature is as follows:

	2023		
	R&D expenses	Development expenditure	Total
Employee benefits	845,114,503.58	7,540,525.92	852,655,029.50
Technical development expenses	583,580,058.82	37,329,510.96	620,909,569.78
Materials consumed	262,365,749.26	3,439,286.34	265,805,035.60
Depreciation and amortisation	205,264,096.40	-	205,264,096.40
Test fees	129,641,261.33	-	129,641,261.33
Others	178,068,018.04	3,906,676.64	181,974,694.68
	2,204,033,687.43	52,215,999.86	2,256,249,687.29

The analysis of changes in development expenditure for 2024 is as follows:

	31 December 2023	Input in the current year	Transfer to intangible assets and others in the current year	31 December 2024
R&D project	310,509,650.32	89,188,117.22	(184,372,867.58)	215,324,899.96

For 2024, there was no impairment in the development expenditure projects of the Group (2023: Nil).

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(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

22. Goodwill

	31 December 2023	Increase in the current year	Decrease in the current year	Other changes	31 December 2024
Goodwill-					
Shanghai Pharma Co., Ltd.'s subsidiaries	3,685,494,346.04	-	(6,248,396.13)	-	3,679,245,949.91
China Health System Ltd. and its subsidiaries	2,869,596,124.06	-	-	-	2,869,596,124.06
Shanghai Pharmaceuticals (HK) Investment Limited's subsidiaries	2,543,895,939.53	-	-	-	2,543,895,939.53
Guangdong Techpool Biochemical Pharmaceutical Co., Ltd. and its subsidiaries	1,399,888,707.64	-	-	-	1,399,888,707.64
Zeus Investment Limited and its subsidiaries	1,012,000,730.51	-	-	(77,030,752.40)	934,969,978.11
Big Global Limited and its subsidiaries	445,109,447.21	-	-	-	445,109,447.21
Shanghai TCM Co., Ltd.'s subsidiaries	322,265,997.71	-	-	-	322,265,997.71
Liaoning Pharmaceutical Foreign Trading Co., Ltd. and its subsidiaries	230,431,952.94	1,123,198.04	(12,147.85)	-	231,543,003.13
Star Fountain Global Limited and its subsidiaries	188,057,733.96	-	-	-	188,057,733.96
SPH Sine Pharmaceutical Factory Co., Ltd.'s subsidiaries	159,340,834.18	-	-	-	159,340,834.18
Shanghai Medical Instruments Co., Ltd.'s subsidiaries	138,131,837.94	-	-	-	138,131,837.94
Shanghai Pharma Group Changzhou Kony Pharmaceutical Co., Ltd.	107,285,726.91	-	-	-	107,285,726.91
Others	157,094,963.30	-	-	-	157,094,963.30
	13,258,594,341.93	1,123,198.04	(6,260,543.98)	(77,030,752.40)	13,176,426,243.59
Less: Impairment provision (1)					
Zeus Investment Limited and its subsidiaries	(921,624,366.54)	-	-	64,896,163.48	(856,728,203.06)
Big Global Limited and its subsidiaries	(445,109,447.21)	-	-	-	(445,109,447.21)
Star Fountain Global Limited and its subsidiaries	(188,057,733.96)	-	-	-	(188,057,733.96)
Shanghai Pharma Co., Ltd.'s subsidiaries	(5,633,332.98)	-	-	-	(5,633,332.98)
SPH Sine Pharmaceutical Factory Co., Ltd.'s subsidiaries	(122,808,233.97)	-	-	-	(122,808,233.97)
Shanghai TCM Co., Ltd.'s subsidiaries	(72,109,261.31)	-	-	-	(72,109,261.31)
Shanghai Medical Instruments Co., Ltd.'s subsidiaries	-	(138,131,837.94)	-	-	(138,131,837.94)
Shanghai Pharma Group Changzhou Kony Pharmaceutical Co., Ltd.	-	(90,468,682.53)	-	-	(90,468,682.53)
Others	(109,919,763.76)	(1,873,611.19)	-	-	(111,793,374.95)
	(1,865,262,139.73)	(230,474,131.66)	-	64,896,163.48	(2,030,840,107.91)
Total	11,393,332,202.20	(229,350,933.62)	(6,260,543.98)	(12,134,588.92)	11,145,586,135.68

(1) Impairment

The Group's goodwill was allocated to related asset groups and groups of asset groups at acquisition date. For 2024, there was no change in the allocation of goodwill and the allocation is summarised by reportable segments (Note VI) as follows:

	31 December 2024		31 December 2023	
	Cost	Impairment	Cost	Impairment
Production -				
Guangdong Techpool Biochemical Pharmaceutical Co., Ltd. And its subsidiaries	1,399,888,707.64	-	1,399,888,707.64	-
Zeus Investment Limited and its subsidiaries	934,969,978.11	(856,728,203.06)	1,012,000,730.51	(921,624,366.54)
Big Global Limited and its subsidiaries	445,109,447.21	(445,109,447.21)	445,109,447.21	(445,109,447.21)
Star Fountain Global Limited and its subsidiaries	188,057,733.96	(188,057,733.96)	188,057,733.96	(188,057,733.96)
Chongqing SPH Huiyuan Pharmaceutical Co., Ltd. and its subsidiaries	164,543,389.88	-	164,543,389.88	-
Shanghai Medical Instruments Co., Ltd.'s subsidiaries	138,131,837.94	(138,131,837.94)	138,131,837.94	-
Others	480,983,128.32	(315,193,427.32)	480,983,128.32	(222,851,133.60)
	3,751,684,223.06	(1,943,220,649.49)	3,828,714,975.46	(1,777,642,681.31)

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(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

22. Goodwill - continued

(1) Impairment - continued

The Group's goodwill was allocated to related asset groups and groups of asset groups at acquisition date. For 2024, there was no change in the allocation of goodwill and the allocation is summarised by reportable segments (Note VI) as follows: - continued

	31 December 2024		31 December 2023	
	Cost	Impairment	Cost	Impairment
Distribution -				
Distribution business of Shanghai Pharma Co., Ltd. And Cardinal Health (L) Co., Ltd.	6,011,277,586.90	-	6,017,525,983.03	-
Distribution business of China Health System Ltd. and Liaoning Pharmaceutical Foreign Trading Co., Ltd.	3,101,139,127.19	-	3,100,028,077.00	-
Others	75,421,257.56	(75,421,257.56)	75,421,257.56	(75,421,257.56)
	9,187,837,971.65	(75,421,257.56)	9,192,975,317.59	(75,421,257.56)
Retail and others	236,904,048.88	(12,198,200.86)	236,904,048.88	(12,198,200.86)
Total	13,176,426,243.59	(2,030,840,107.91)	13,258,594,341.93	(1,865,262,139.73)

When conducting a goodwill impairment test, the Group compares the carrying amount of related assets or groups of asset groups (including goodwill) with their recoverable amount. If the recoverable amount is lower than the carrying amount, the related difference is recognised in profit or loss for the period.

The Group determines the revenue growth rate and gross margin on the basis of historical experience and forecast of market development, and adopts a pre-tax interest rate reflecting the specific risks of relevant asset group or portfolio of asset groups as the discount rate. The growth rate for forecast period is based on the five-year budget as approved, while the growth rate for stable period is the growth rate adopted subsequent to the forecast period, which is consistent with the predicted data in authoritative industry reports and does not exceed the long-term average growth rate of each product. The discount rate is the pre-tax discount rate reflecting the specific risks of relevant asset group and portfolio of asset groups.

For 2024, the recoverable amount of portfolio of major asset groups and key assumptions in discounted future cash flow method are as follows:

	Production	Distribution
Revenue growth rate for forecast period	-3%~24%	4%~9%
Revenue growth rate for stable period	0%~2%	2%
Gross margin	6%~78%	6%~7%
Pre-tax discount rate	11%~16%	13%~14%
Recoverable amount (RMB'000)	32,000~2,683,000	5,047,000~15,424,000

For 2023, the recoverable amount of portfolio of major asset groups and key assumptions in discounted future cash flow method are as follows:

	Production	Distribution
Revenue growth rate for forecast period	6%~24%	7%~10%
Revenue growth rate for stable period	2%	2%
Gross margin	8%~78%	6%~7%
Pre-tax discount rate	13%~16%	13%~14%
Recoverable amount (RMB'000)	192,000~2,916,000	5,010,000~14,682,000

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(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

23. Long-term prepaid expenses

	31 December 2023	Increase in the current year	Amortisation in the current year	Other changes	31 December 2024
Improvement of right-of-use assets	383,562,203.29	27,405,414.42	(41,033,885.85)	(137,886.82)	369,795,845.04
Others	91,148,952.65	241,365,141.31	(150,066,398.02)	(17,677,063.74)	164,770,632.20
Total	474,711,155.94	268,770,555.73	(191,100,283.87)	(17,814,950.56)	534,566,477.24

24. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets before offset

	31 December 2024		31 December 2023	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment of assets	3,707,400,511.65	859,902,388.98	3,673,293,628.38	842,596,205.79
Accrued expenses	2,187,745,379.92	533,952,021.18	2,061,481,407.77	494,008,564.88
Lease liabilities	1,926,270,195.77	473,962,045.11	2,133,643,480.22	533,623,441.35
Elimination of intra-group unrealised profit	531,413,709.29	121,851,709.44	722,318,468.29	174,851,032.13
Changes in fair value of other non-current financial assets	-	-	37,506,349.51	9,376,587.38
Deductible losses	876,011,752.85	183,110,697.62	695,761,452.91	149,622,727.63
Others	459,866,595.79	89,659,775.13	403,332,422.31	82,646,804.09
Total	9,688,708,145.27	2,262,438,637.46	9,727,337,209.39	2,286,725,363.25

(2) Deferred tax liabilities before offset

	31 December 2024		31 December 2023	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Differences between the fair value and the carrying amount of the identifiable net assets of the acquiree arising from business combinations not involving enterprises under common control	2,170,966,177.49	549,994,153.08	2,396,001,073.41	608,746,872.06
Right-of-use assets	2,065,180,445.19	510,215,816.47	2,148,311,132.06	540,381,112.98
Investment income arising from disposal of subsidiaries	946,985,653.07	236,746,413.27	963,536,131.47	240,884,032.87
Depreciation of fixed assets	788,829,941.81	121,509,057.66	848,698,457.99	128,357,753.14
Changes in fair value of other non-current financial assets	3,082,853.65	770,713.41	154,134,189.98	38,533,547.50
Others	127,881,116.15	32,126,296.57	117,291,497.71	28,784,129.80
Total	6,102,926,187.36	1,451,362,450.46	6,627,972,482.62	1,585,687,448.35

(3) The net amount of deferred tax assets and liabilities after offset are as follows:

	31 December 2024		31 December 2023	
	Offsetting amount	Amount after offset	Offsetting amount	Amount after offset
Deferred tax assets	(634,909,624.25)	1,627,529,013.21	(569,867,304.99)	1,716,858,058.26
Deferred tax liabilities	634,909,624.25	816,452,826.21	569,867,304.99	1,015,820,143.36

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(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

24. Deferred tax assets and deferred tax liabilities - continued

(4) Deductible losses, for which no deferred tax assets are recognised, are analysed as follows:

	31 December 2024	31 December 2023
Deductible losses	8,407,656,365.08	7,701,356,421.82

(5) Deductible losses, for which no deferred tax assets are recognised, will be expired in following years:

	31 December 2024	31 December 2023
2024	N/A	901,917,874.95
2025	1,171,957,182.45	1,175,665,132.04
2026	1,782,341,061.40	1,820,615,563.20
2027	1,461,581,777.17	1,462,757,711.03
2028	1,618,136,213.96	1,626,337,573.13
2029	1,523,394,718.41	97,013,261.38
2030 and subsequent years	850,245,411.69	617,049,306.09
Total	8,407,656,365.08	7,701,356,421.82

25. Asset impairment and loss allowance

	31 December 2023	Increase in the current year	Decrease in the current year	Other changes in the current year	31 December 2024
Bad debt allowance for notes receivable	12,555,301.97	6,994,443.32	(12,555,301.97)	-	6,994,443.32
Including: Bad debt allowance made on an individual basis	-	-	-	-	-
Bad debt allowance made on a portfolio basis	12,555,301.97	6,994,443.32	(12,555,301.97)	-	6,994,443.32
Bad debt allowance for accounts receivable	2,226,761,040.00	253,662,339.89	(21,624,628.56)	(36,276,479.52)	2,422,522,271.81
Including: Bad debt allowance made on an individual basis	422,039,147.36	155,507,176.83	(21,624,628.56)	-	555,921,695.63
Bad debt allowance made on a portfolio basis	1,804,721,892.64	98,155,163.06	-	(36,276,479.52)	1,866,600,576.18
Bad debt allowance for receivables financing	9,110,039.80	9,361,859.07	(9,110,039.80)	-	9,361,859.07
Bad debt allowance for other receivables	835,950,075.72	19,332,350.10	(43,425,493.56)	(16,166,229.54)	795,690,702.72
Bad debt allowance for long-term receivables	17,986,152.73	23,526,591.48	-	12,144,074.57	53,656,818.78
Sub-total	3,102,362,610.22	312,877,583.86	(86,715,463.89)	(40,298,634.49)	3,288,226,095.70
Provision for decline in value of inventories	1,406,765,108.52	139,197,610.01	-	(119,392,469.52)	1,426,570,249.01
Provision for impairment of long-term equity investments	195,235,585.79	25,428,136.44	-	-	220,663,722.23
Provision for impairment of fixed assets	136,048,730.90	72,992,558.49	-	(9,300,636.07)	199,740,653.32
Provision for impairment of construction in progress	17,264,328.89	264,234.54	-	(4,732,428.13)	12,796,135.30
Provision for impairment of intangible assets	221,572,485.49	61,341,523.13	-	(74,404,005.00)	208,510,003.62
Provision for impairment of goodwill	1,865,262,139.73	230,474,131.66	-	(64,896,163.48)	2,030,840,107.91
Provision for impairment of right-of-use assets	18,438,778.48	83,448,826.84	-	(184,905.66)	101,702,699.66
Provision for impairment of long-term prepaid expenses	2,153,185.50	1,226,543.36	-	(31,868.92)	3,347,859.94
Provision for impairment of bearer biological assets	258,292,956.76	-	-	-	258,292,956.76
Sub-total	4,121,033,300.06	614,373,564.47	-	(272,942,476.78)	4,462,464,387.75
Total	7,223,395,910.28	927,251,148.33	(86,715,463.89)	(313,241,111.27)	7,750,690,483.45

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(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

25. Asset impairment and loss allowance - continued

	31 December 2022	Increase in the current year	Decrease in the current year	Other changes in the current year	31 December 2023
Bad debt allowance for notes receivable	10,465,128.17	12,082,997.58	(10,465,128.17)	472,304.39	12,555,301.97
Including: Bad debt allowance made on an individual basis	-	-	-	-	-
Bad debt allowance made on a portfolio basis	10,465,128.17	12,082,997.58	(10,465,128.17)	472,304.39	12,555,301.97
Bad debt allowance for accounts receivable	2,014,730,430.45	274,555,923.94	(33,269,287.85)	(29,256,026.54)	2,226,761,040.00
Including: Bad debt allowance made on an individual basis	436,093,505.65	19,595,788.74	(33,269,287.85)	(380,859.18)	422,039,147.36
Bad debt allowance made on a portfolio basis	1,578,636,924.80	254,960,135.20	-	(28,875,167.36)	1,804,721,892.64
Bad debt allowance for receivables financing	7,633,278.59	9,110,039.80	(7,633,278.59)	-	9,110,039.80
Bad debt allowance other receivables	805,018,563.21	22,891,942.60	(364,000.00)	8,403,569.91	835,950,075.72
Bad debt allowance for long-term receivables	4,936,711.55	13,049,441.18	-	-	17,986,152.73
Sub-total	2,842,784,111.97	331,690,345.10	(51,731,694.61)	(20,380,152.24)	3,102,362,610.22
Provision for decline in value of inventories	1,118,275,354.55	309,951,614.25	-	(21,461,860.28)	1,406,765,108.52
Provision for impairment of long-term equity investments	14,561,350.94	180,674,234.85	-	-	195,235,585.79
Provision for impairment of fixed assets	113,102,154.14	37,042,960.96	-	(14,096,384.20)	136,048,730.90
Provision for impairment of construction in progress	3,097,748.84	14,166,580.05	-	-	17,264,328.89
Provision for impairment of intangible assets	202,959,791.19	19,442,084.00	-	(829,389.70)	221,572,485.49
Provision for impairment of goodwill	1,839,687,697.00	-	-	25,574,442.73	1,865,262,139.73
Provision for impairment of right-of-use assets	19,922,029.94	-	-	(1,483,251.46)	18,438,778.48
Provision for impairment of long-term prepaid expenses	2,179,075.47	-	-	(25,889.97)	2,153,185.50
Provision for impairment of bearer biological assets	258,292,956.76	-	-	-	258,292,956.76
Sub-total	3,572,078,158.83	561,277,474.11	-	(12,322,332.88)	4,121,033,300.06
Total	6,414,862,270.80	892,967,819.21	(51,731,694.61)	(32,702,485.12)	7,223,395,910.28

The Group performs impairment tests on long-term assets for which there are indications of impairment as at the balance sheet date, and assesses the recoverable amount of the assets taking into account the current usage of the assets and the future business plans. If the results of the impairment tests indicate that the recoverable amount of an asset is less than its carrying amount, provision for impairment is made for the difference and recognised as asset impairment loss.

26. Other non-current assets

	31 December 2024	31 December 2023
Prepayments for construction and equipment	129,764,121.10	272,317,103.97
Advances for license	184,968,302.27	89,622,641.45
Others	168,643,920.81	78,751,306.19
Total	483,376,344.18	440,691,051.61

27. Short-term borrowings

	31 December 2024	31 December 2023
Mortgaged borrowings (1)	200,753,638.89	231,400,000.00
Pledged borrowings (2)	740,334,684.08	753,461,119.18
Guaranteed borrowings (3)	155,900,000.00	185,636,119.43
Credit borrowings	36,905,077,939.69	34,318,435,303.26
Accrued interest	62,032,705.05	71,567,193.58
Total	38,064,098,967.71	35,560,499,735.45

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(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

27. Short-term borrowings - continued

- (1) As at 31 December 2024 and 31 December 2023, details of land use rights, buildings and machinery and equipment pledged as collaterals for short-term borrowings, long-term borrowings and long-term borrowings due within one year are set out in Note (IV)16.
- (2) As at 31 December 2024, pledged bank borrowings of RMB740,334,684.08 are short-term borrowings secured by commercial acceptances of RMB15,497,761.22, bank acceptances of RMB20,862,329.55 and accounts receivable with carrying amount of RMB723,511,829.24.

As at 31 December 2023, pledged bank borrowings of RMB753,461,119.18 are short-term borrowings secured by commercial acceptances of RMB55,401,213.10, bank acceptances of RMB133,923,501.96 and accounts receivable with carrying amount of RMB731,994,277.93.

- (3) As at 31 December 2024, guaranteed borrowings of RMB155,900,000.00 (31 December 2023: RMB185,636,119.43) are mainly guaranteed by the minority shareholders of subsidiaries of the Group.
- (4) As at 31 December 2024, the Group has no overdue short-term borrowings, and the interest rate of short-term borrowings ranges from 1.02% to 5.75% (31 December 2023: 0.80% to 5.75%).

28. Notes payable

	31 December 2024	31 December 2023
Commercial acceptances	255,767,350.54	782,923,768.37
Bank acceptances	8,985,365,997.35	5,934,519,767.92
Total	9,241,133,347.89	6,717,443,536.29

As at 31 December 2024, the Group has no overdue unpaid notes payable (31 December 2023: Nil).

29. Accounts payable

	31 December 2024	31 December 2023
Purchase payable	50,241,787,131.40	47,915,010,730.47

- (1) As at 31 December 2024, accounts payable aged over one year are RMB3,412,793,777.18 (31 December 2023: RMB2,297,271,341.56).
- (2) The aging analysis of accounts payables is as follows:

	31 December 2024	31 December 2023
Within 1 year	46,828,993,354.22	45,617,739,388.91
1 to 2 years	1,930,902,187.81	1,163,664,769.18
Over 2 years	1,481,891,589.37	1,133,606,572.38
Total	50,241,787,131.40	47,915,010,730.47

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(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

30. Contract liabilities

	31 December 2024	31 December 2023
Advance received from customers	1,562,036,773.57	1,970,690,132.08

For 2024, contract liabilities at the beginning of the period with carrying amount of RMB1,801,970,141.35 (2023: RMB2,186,920,793.82) were transferred to operating income, all of which were income from sales of goods. The book value of contract liabilities at the end of 2024 is expected to basically convert into revenue within one year.

31. Employee benefits payable

	31 December 2024	31 December 2023
Short-term employee benefits payable (1)	1,760,978,085.80	1,709,022,350.31
Defined contribution plan payable (2)	31,824,508.56	31,424,238.91
Termination benefits payable (3)	3,544,466.37	43,533,375.48
Total	1,796,347,060.73	1,783,979,964.70

(1) Short-term employee benefits

	31 December 2023	Increase in the current year	Decrease in the current year	31 December 2024
Wages and salaries, bonus, allowances and subsidies	1,489,266,444.07	8,136,516,420.88	(8,096,718,450.22)	1,529,064,414.73
Staff welfare	-	319,516,075.39	(319,516,075.39)	-
Social insurance	16,334,363.05	480,416,942.92	(483,208,262.88)	13,543,043.09
Including: Medical insurance	15,215,092.00	447,590,347.56	(450,057,746.40)	12,747,693.16
Work injury insurance	424,636.67	24,528,134.91	(24,455,088.97)	497,682.61
Maternity insurance	694,634.38	8,298,460.45	(8,695,427.51)	297,667.32
Housing funds	4,235,942.45	506,294,619.95	(507,778,321.04)	2,752,241.36
Union running costs and employee education costs	68,968,720.85	144,071,856.47	(142,075,668.29)	70,964,909.03
Others	130,216,879.89	99,110,524.69	(84,673,926.99)	144,653,477.59
Total	1,709,022,350.31	9,685,926,440.30	(9,633,970,704.81)	1,760,978,085.80

(2) Defined contribution plan

	31 December 2023	Increase in the current year	Decrease in the current year	31 December 2024
Basic pension insurance	30,166,594.73	828,748,428.74	(828,308,569.19)	30,606,454.28
Unemployment insurance	1,257,644.18	28,471,357.76	(28,510,947.66)	1,218,054.28
Total	31,424,238.91	857,219,786.50	(856,819,516.85)	31,824,508.56

Monthly payments of basic pension insurance and unemployment insurance are calculated according to prescribed bases and percentage by the relevant local authorities, which cannot be used to offset any future payments that the Group is required to make for employees.

(3) Termination benefits payable

	31 December 2024	31 December 2023
Termination benefits payable (current portion)	3,544,466.37	43,533,375.48

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(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

32. Taxes payable

	31 December 2024	31 December 2023
Enterprise income tax payable	835,873,309.17	809,797,698.63
VAT payable	212,098,804.88	285,822,460.74
Individual income tax payable	52,251,548.86	33,366,903.65
Education surcharge payable	26,578,977.09	23,883,680.98
Property tax payable	20,970,222.29	19,944,158.13
City maintenance and construction tax payable	39,227,176.69	14,152,459.13
Others	77,015,273.94	30,204,832.43
Total	1,264,015,312.92	1,217,172,193.69

33. Other payables

	31 December 2024	31 December 2023
Accrued expenses	8,465,019,861.47	8,479,562,832.44
Deposits and guarantees payable	2,486,649,967.28	2,796,923,121.88
Amounts due to other companies	2,005,524,001.54	3,314,708,320.27
Construction and equipment payable	1,127,904,420.18	604,099,495.80
Dividends payable	381,062,451.26	247,130,022.22
Equity acquisition payable	165,122,649.80	608,365,519.88
Others	2,166,076,164.56	1,898,564,580.90
Total	16,797,359,516.09	17,949,353,893.39

(1) As at 31 December 2024, other payables aged over one year are RMB4,585,650,860.32 (31 December 2023: RMB3,774,468,784.45).

34. Provisions

	31 December 2023	Increase in the current year	Decrease in the current year	31 December 2024
Pending litigations	31,994,509.89	28,912.73	(4,592,340.77)	27,431,081.85
Others	7,590,578.38	1,003,515.36	-	8,594,093.74
Total	39,585,088.27	1,032,428.09	(4,592,340.77)	36,025,175.59

35. Non-current liabilities due within one year

	31 December 2024	31 December 2023
Long-term borrowings due within one year (Note (IV)37)	191,801,162.87	2,366,216,452.37
Lease liabilities due within one year (Note (IV)38)	649,073,044.47	596,669,544.27
Long-term payables due within one year (Note (IV)39)	1,288,321.02	589,814.45
Total	842,162,528.36	2,963,475,811.09

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(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

36. Other current liabilities

	31 December 2024	31 December 2023
Super & Short-term Commercial Paper ("SCP") (1)	6,031,879,726.03	6,051,321,311.48
Output VAT to be recognised	195,967,735.94	240,615,233.47
Total	6,227,847,461.97	6,291,936,544.95

(1) Details of the SCP are as follows:

	31 December 2023	Issuance for the year	Accrued interest	Amortisation of premiums or discounts	Repayment for the year	31 December 2024
2024 SCP stage 1	-	2,999,522,500.00	32,626,122.38	477,500.00	(3,032,626,122.38)	-
2024 SCP stage 2	-	2,999,204,166.67	31,670,136.99	795,833.33	(3,031,670,136.99)	-
2024 SCP stage 3	-	2,998,883,333.34	18,779,178.08	1,116,666.66	-	3,018,779,178.08
2024 SCP stage 4	-	2,999,612,500.00	13,100,547.95	387,500.00	-	3,013,100,547.95
2023 SCP stage 4	3,035,257,377.05	-	11,752,459.02	-	(3,047,009,836.07)	-
2023 SCP stage 5	3,016,063,934.43	-	19,981,967.21	-	(3,036,045,901.64)	-
Total	6,051,321,311.48	11,997,222,500.01	127,910,411.63	2,777,499.99	(12,147,351,997.08)	6,031,879,726.03

	Face value	Issuing date	Bond maturity	Issuing amount	Coupon rate (%)	Default or not
2024 SCP stage 1	3,000,000,000.00	5 March 2024	191 days	2,999,522,500.00	2.08	N
2024 SCP stage 2	3,000,000,000.00	9 April 2024	191 days	2,999,204,166.67	1.98	N
2024 SCP stage 3	3,000,000,000.00	10 September 2024	268 days	2,998,883,333.34	2.04	N
2024 SCP stage 4	3,000,000,000.00	15 October 2024	93 days	2,999,612,500.00	2.07	N

37. Long-term borrowings

	31 December 2024	31 December 2023
Mortgaged borrowings (1)	1,226,904,916.33	760,387,483.14
Credit borrowings	7,150,927,560.65	7,244,570,761.56
Pledged borrowings (2)	141,987,619.59	144,092,782.18
Accrued interest	3,315,181.87	3,320,156.07
Sub-total	8,523,135,278.44	8,152,371,182.95
Less: Long-term borrowings due within one year		
Mortgaged borrowings (1)	(1,000,000.00)	(27,000,000.00)
Credit borrowings	(151,489,614.73)	(2,244,183,000.00)
Pledged borrowings (2)	(37,489,798.59)	(91,843,538.18)
Accrued interest	(1,821,749.55)	(3,189,914.19)
Sub-total	(191,801,162.87)	(2,366,216,452.37)
Total	8,331,334,115.57	5,786,154,730.58

- (1) As at 31 December 2024 and 31 December 2023, details of land use rights, buildings and machinery and equipment pledged as collaterals for short-term borrowings, long-term borrowings and long-term borrowings due within one year are set out in Note (IV)16.
- (2) As at 31 December 2024, pledged bank borrowings of RMB104,497,821.00 and long-term borrowings due within one year of RMB37,489,798.59 (Note (IV)35) are secured by accounts receivable with carrying amount of RMB141,987,619.59.

As at 31 December 2023, pledged bank borrowings of RMB52,249,244.00 and long-term borrowings due within one year of RMB89,991,032.94 (Note (IV)35) are secured by accounts receivable with carrying amount of RMB142,240,276.94. Long-term borrowings due within one year of RMB1,852,505.24 (Note (IV)35) are secured by equity of subsidiaries of the Group.

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(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

37. Long-term borrowings - continued

(3) As at 31 December 2024, the Group has no overdue long-term borrowings, and the interest rate of long-term borrowings ranges from 1.75% to 5.00% (31 December 2023: 2.10% to 5.00%).

38. Lease liabilities

	31 December 2024	31 December 2023
Lease liabilities	2,045,372,560.05	2,146,746,225.90
Less: Non-current liabilities due within one year (Note (IV)35)	(649,073,044.47)	(596,669,544.27)
Net amount	1,396,299,515.58	1,550,076,681.63

As at 31 December 2024, the Group has no lease payments related to lease contracts that are signed but not yet commenced (31 December 2023: Nil).

39. Long-term payables

	31 December 2024	31 December 2023
Forest use rights payable	10,441,738.90	8,753,282.19
Less: Long-term payables due within one year (Note (IV)35)	(1,288,321.02)	(589,814.45)
Net amount	9,153,417.88	8,163,467.74

40. Deferred income

	31 December 2023	Increase in the current year	Decrease in the current year	31 December 2024
Compensation for demolition and construction	67,396,712.52	-	(4,025,711.40)	63,371,001.12
Government grants (1)	566,084,609.20	121,132,904.73	(199,597,292.38)	487,620,221.55
Total	633,481,321.72	121,132,904.73	(203,623,003.78)	550,991,222.67

(1) Government grants

	31 December 2023	Increase in the current year	Amount included in other income	31 December 2024
Government grants related to assets	266,517,971.53	67,540,345.97	(87,188,159.47)	246,870,158.03
Government grants related to income	299,566,637.67	53,592,558.76	(112,409,132.91)	240,750,063.52
Total	566,084,609.20	121,132,904.73	(199,597,292.38)	487,620,221.55

41. Long-term employee benefits payable

	31 December 2024	31 December 2023
Termination benefits payable	41,709,549.74	40,417,545.20
Less: Portion to be paid within one year (Note (IV)31)	(2,548,374.37)	(1,533,375.48)
Net amount	39,161,175.37	38,884,169.72

Termination benefits payable to be paid within one year are disclosed in employee benefits payable.

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(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

42. Other non-current liabilities

	31 December 2024	31 December 2023
Medical reserve funds	113,075,173.45	128,474,728.99
Stock repurchase option	102,275,542.50	53,714,908.75
Others	33,911,983.18	20,206,526.22
Total	249,262,699.13	202,396,163.96

43. Share capital

	31 December 2023	Changes for the year				31 December 2024
		Issue new shares (1)	Unlock non-tradable shares	Others	Sub-total	
Shares subject to trading restriction -						
Ordinary shares denominated in RMB	852,708,396.00	-	-	-	-	852,708,396.00
Shares not subject to trading restriction -						
Ordinary shares denominated in RMB	1,931,519,954.00	4,670,785.00	-	-	4,670,785.00	1,936,190,739.00
Foreign shares listed overseas	919,072,704.00	-	-	-	-	919,072,704.00
	2,850,592,658.00	4,670,785.00	-	-	4,670,785.00	2,855,263,443.00
Total	3,703,301,054.00	4,670,785.00	-	-	4,670,785.00	3,707,971,839.00

	31 December 2022	Changes for the year				31 December 2023
		Issue new shares	Unlock non-tradable shares	Others	Sub-total	
Shares subject to trading restriction -						
Ordinary shares denominated in RMB	852,708,396.00	-	-	-	-	852,708,396.00
Shares not subject to trading restriction -						
Ordinary shares denominated in RMB	1,925,765,072.00	5,754,882.00	-	-	5,754,882.00	1,931,519,954.00
Foreign shares listed overseas	919,072,704.00	-	-	-	-	919,072,704.00
	2,844,837,776.00	5,754,882.00	-	-	5,754,882.00	2,850,592,658.00
Total	3,697,546,172.00	5,754,882.00	-	-	5,754,882.00	3,703,301,054.00

(1) For 2024 and 2023, the increase in share capital represents the share capital issued by the exercise of share options under the Group's A-share share incentive plan.

44. Capital reserve

	31 December 2023	Increase in the current year	Decrease in the current year	31 December 2024
Share premium (1)	29,466,404,525.92	121,321,246.86	-	29,587,725,772.78
Other capital reserve-				
Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method (2)	300,875,792.61	73,425,902.61	-	374,301,695.22
Share-based payment (3)	50,792,867.95	308,220.66	(33,943,377.16)	17,157,711.45
Others	(630,424,030.95)	299,010,123.01	-	(331,413,907.94)
Total	29,187,649,155.53	494,065,493.14	(33,943,377.16)	29,647,771,271.51

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(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

44. Capital reserve - continued

	31 December 2022	Increase in the current year	Decrease in the current year	31 December 2023
Share premium (1)	29,331,688,434.18	134,716,091.74	-	29,466,404,525.92
Other capital reserve-				
Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method (2)	316,625,156.93	-	(15,749,364.32)	300,875,792.61
Share-based payment (3)	80,214,210.71	4,568,384.49	(33,989,727.25)	50,792,867.95
Others	(630,424,030.95)	-	-	(630,424,030.95)
Total	29,098,103,770.87	139,284,476.23	(49,739,091.57)	29,187,649,155.53

(1) For 2024, the increase in capital reserve was mainly the difference between the total funds receivable from the exercise of stock options under the Group's A-share incentive plan, less the total nominal value of the shares issued, and the difference between the consideration paid for the transaction between the Group and its minority shareholders and identifiable net assets of the subsidiaries based on continuous calculation from the acquisition date at proportion of shareholding after transaction.

For 2023, the increase in capital reserve was mainly the difference between the total funds receivable from the exercise of stock options under the Group's A-share incentive plan, less the total nominal value of the shares issued.

(2) For 2024 and 2023, the change in the capital reserve was mainly the share of changes in equity other than comprehensive income and profit distribution of investees under the equity method.

(3) Share-based payment

(i) Summary

According to the 2019 Stock Option Incentive Plan of Shanghai Pharmaceuticals Holding Co., Ltd. ("Incentive Plan") approved by the resolution of the 2019 first extraordinary shareholders' meeting held on 18 December 2019, the Company implemented stock option incentive plan for its directors, senior management, middle management and core technical and business backbones ("incentive recipients"), expecting to grant approximately 28,420,000.00 shares of stock options to the incentive recipients. On 19 December 2019, the Company initially granted 25,680,000.00 shares of stock options ("First Granting").

Pursuant to the Proposal of Granting Reserved Stock Options to Incentive Recipients approved by resolutions of the 15th meeting of the 7th Board of Directors and the 12th meeting of the 7th Board of Supervisors held on 15 December 2020, the Company granted a total of 2,730,000.00 shares of stock options to incentive recipients ("Reserved Granting").

Pursuant to the Announcement on Adjusting the List of Incentive Recipients and the Number of Options of the 2019 A-Share Stock Option Incentive Plan and Cancelling Part of Options approved by resolutions of the 28th meeting of the 7th Board of Directors held on 5 January 2022, the Company adjusted the total number of stock options of First Granting to 23,258,120.00.

Pursuant to the Announcement on Adjusting the List of Incentive Recipients and the Number of Options of the 2019 A-Share Stock Option Incentive Plan and Cancelling Part of Options approved by resolutions of the 36th meeting of the 7th Board of Directors held on 9 January 2023, the Company adjusted the total number of stock options of the First Granting to 22,735,520.00 shares, and adjusted the total number of stock options of the Reserved Granting to 2,290,000.00 shares.

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(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

44. Capital reserve - continued

(3) Share-based payment - continued

(i) Summary - continued

Pursuant to the Announcement on Cancelling Expired and Unexercised Stock Options for the First Exercise Period of the First Granting of the Company's 2019 A-share Stock Option Incentive Plan approved by resolutions of the 37th meeting of the 7th Board of Directors held on 30 March 2023, the Company cancelled the expired and unexercised stock options for the first exercise period of the First Granting, totalling to 4,324,659.00 shares.

Pursuant to the Announcement on Adjusting the List of Incentive Recipients and the Number of Options of the 2019 A-Share Stock Option Incentive Plan and Cancelling Part of Options approved by resolutions of the 5th meeting of the 8th Board of Directors held on 21 December 2023, the Company adjusted number of stock options for the third exercise period of the First Granting from 7,646,600.00 shares to 6,976,800.00 shares.

Pursuant to the Announcement on Cancelling Expired and Unexercised Stock Options for the Second Exercise Period of the First Granting and the First Exercise Period of the Reserved Granting of the Company's 2019 A-share Stock Option Incentive Plan approved by resolutions of the 8th meeting of the 8th Board of Directors held on 28 March 2024, the Company cancelled the expired and unexercised stock options of 2,449,071.00 shares for the second exercise period of the First Granting and 485,954.00 shares for the first exercise period of the Reserved Granting.

Pursuant to the Proposal on Adjusting the List of Incentive Recipients and the Number of Options of the 2019 A-Share Stock Option Incentive Plan and Cancelling Part of Options approved by resolutions of the 16th meeting of the 8th Board of Directors held on 31 December 2024, the Company adjusted the number of stock options for the third exercise period of the Reserved Granting from 778,600.00 shares to 680,000.00 shares.

The Company's and incentive recipients' performance will be assessed in the above Incentive Plan. The incentive recipients can exercise the right to receive stock options in proportions of 33%, 33%, and 34% respectively after serving for 2 years, 3 years, and 4 years from the grant date.

(ii) Statement of changes in stock options in the year

	2024		2023	
	Number	Amount	Number	Amount
Outstanding stock options issued at the beginning of the year	11,446,125.00	214,258,605.75	23,158,066.00	431,117,495.06
Stock options exercised in the current year	(4,670,785.00)	(86,394,950.60)	(5,754,882.00)	(106,419,433.12)
Stock options expired in the current year	(3,033,625.00)	(56,872,005.75)	(5,957,059.00)	(110,439,456.19)
Outstanding stock options issued at the end of the year	3,741,715.00	70,991,649.40	11,446,125.00	214,258,605.75
Including: stock options that met the exercisable conditions at the end of the year	3,741,715.00	70,991,649.40	10,667,525.00	189,323,891.75
Share-based payment expenses in the current year		308,220.66		4,568,384.49
Accumulated share-based payment expenses		94,175,289.20		93,867,068.54

For 2024, the share-based payment expenses included in administrative expenses amount to RMB308,220.66 (2023: RMB4,568,384.49).

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(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

44. Capital reserve - continued

(3) Share-based payment - continued

(ii) Statement of changes in stock options in the year - continued

The outstanding stock options issued at the end of the year are those from First Granting and Reserved Granting. The exercise price of stock options from First Granting is RMB18.41. As at 31 December 2024, the remaining term of the stock option contract is up to 13 February 2025. The exercise price of stock options from Reserved Granting is RMB20.16. As at 31 December 2024, the remaining term of the stock option contract is up to 7 February 2026.

The weighted average price of the stock options exercised in the current year is RMB18.50, calculated using the price on the exercise day.

(iii) Method for determining the fair value of stock options at the grant date

The Group adopts the Black-Scholes option pricing model to determine the fair value of stock options. The main parameters are as follows:

	Reserved Granting	First Granting
Exercise price of stock options	20.16	18.41
Price of the underlying stocks at the grant date	19.00	18.08
Estimated volatility of the share price	28.65% ~ 32.18%	29.14% ~ 34.76%
Estimated dividend yields	2.03%	1.72%
Risk-free interest rate	2.92% ~ 3.06%	2.75% ~ 2.95%
Validity period of options	The validity period of options is from the registration date of granting to the date of exercise or cancellation of all options in each batch and shall not exceed 5 years.	

The estimated volatility is based on the volatility of the Group's share price over the last 2.5, 3.5 and 4.5 years.

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(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

45. Other comprehensive income

	Other comprehensive income in the balance sheet			Other comprehensive income in the consolidated income statement for the year ended 31 December 2024				
	31 December 2023	Converted from other comprehensive income into retained earnings	31 December 2024	Amount before income tax	Less: Other comprehensive income transferred out for the year	Less: Income tax expenses	Attributable to the Company after tax	Attributable to minority shareholders after tax
Other comprehensive income that cannot be reclassified to profit or loss								
Changes in fair value of investments in other equity instruments	(32,435,127.65)	-	(43,952,512.15)	(11,517,384.50)	-	-	(11,517,384.50)	-
Other comprehensive income that will be reclassified to profit or loss								
Other comprehensive income that may be transferred to profit or loss under equity method	(705,080.67)	-	(4,399,112.98)	(3,694,032.31)	-	-	(3,694,032.31)	-
Effective portion of cash flow hedging	9,670,190.74	-	7,449,071.88	(2,221,118.86)	-	-	(2,221,118.86)	-
Allowance for credit impairment of receivables financing	6,472,540.27	-	6,003,223.17	6,724,359.54	(6,472,540.27)	(105,971.89)	(469,317.10)	615,164.48
Translation differences of financial statements denominated in foreign currencies	(479,091,952.81)	-	(499,380,595.80)	(45,331,260.30)	-	-	(20,288,642.99)	(25,042,617.31)
Total	(496,089,430.12)	-	(534,279,925.88)	(56,039,436.43)	(6,472,540.27)	(105,971.89)	(38,190,495.76)	(24,427,452.83)

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(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

45. Other comprehensive income - continued

	Other comprehensive income in the balance sheet			Other comprehensive income in the consolidated income statement for the year ended 31 December 2023				
	31 December 2022	Converted from other comprehensive income into retained earnings	31 December 2023	Amount before income tax	Less: Other comprehensive income transferred out for the year	Less: Income tax expenses	Attributable to the Company after tax	Attributable to minority shareholders after tax
Other comprehensive income that cannot be reclassified to profit or loss								
Changes in fair value of investments in other equity instruments	13,635,672.70	-	(32,435,127.65)	(46,070,800.35)	-	-	(46,070,800.35)	-
Other comprehensive income that will be reclassified to profit or loss								
Other comprehensive income that may be transferred to profit or loss under equity method	(571,770.70)	-	(705,080.67)	(133,309.97)	-	-	(133,309.97)	-
Effective portion of cash flow hedging	11,837,636.72	-	9,670,190.74	(2,167,445.98)	-	-	(2,167,445.98)	-
Allowance for credit impairment of receivables financing	5,372,868.99	-	6,472,540.27	6,849,630.20	(5,372,868.99)	(375,340.50)	1,099,671.28	1,749.43
Translation differences of financial statements denominated in foreign currencies	(401,598,071.63)	-	(479,091,952.81)	(79,449,754.95)	-	-	(77,493,881.18)	(1,955,873.77)
Total	(371,323,663.92)	-	(496,089,430.12)	(120,971,681.05)	(5,372,868.99)	(375,340.50)	(124,765,766.20)	(1,954,124.34)

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(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

46. Surplus reserve

	31 December 2023	Increase in the current year	Decrease in the current year	31 December 2024
Statutory surplus reserve	2,189,186,256.07	-	-	2,189,186,256.07
Discretionary surplus reserve	117,763,127.56	-	-	117,763,127.56
Total	2,306,949,383.63	-	-	2,306,949,383.63

	31 December 2022	Increase in the current year	Decrease in the current year	31 December 2023
Statutory surplus reserve	2,041,044,143.60	148,142,112.47	-	2,189,186,256.07
Discretionary surplus reserve	117,763,127.56	-	-	117,763,127.56
Total	2,158,807,271.16	148,142,112.47	-	2,306,949,383.63

According to the Company Law of the People's Republic of China and Articles of Association, the Company makes appropriation to statutory surplus reserve at 10% of the net profit for the year, and may cease the appropriation when the accumulated statutory surplus reserve reaches 50% and more of the registered capital. The statutory surplus reserve may be used to make up for losses or increase the share capital upon approval. For the current year, the Company makes no more appropriation to surplus reserve (2023: appropriation made at 10% as per the resolution of the Board of Directors, totalling to RMB148,142,112.47).

47. Retained profits

	2024	2023
Retained profits at the beginning of the year	33,822,332,888.31	32,479,872,339.12
Add: Net profit attributable to shareholders of the Company	4,552,528,438.69	3,767,999,581.18
Less: Appropriation to statutory surplus reserve	-	(148,142,112.47)
Dividends distribution (1)	(1,814,822,154.33)	(2,258,992,103.23)
Others	(12,831,768.96)	(18,404,816.29)
Retained profits at the end of the year	36,547,207,403.71	33,822,332,888.31

- (1) On 28 June 2024, as deliberated and approved at the Company's Annual General Meeting of year 2023, based on the total share capital on the date of equity distribution registration, cash dividends of RMB1,518,487,050.73 were distributed to all shareholders at RMB0.41 per share (inclusive of tax).

On 28 June 2024, the Proposal on the Arrangement of the 2024 Interim Dividend was considered and approved at the 2023 Annual General Meeting of Shareholders of the Company, and on 26 August 2024, as deliberated and approved by the Board of Directors of the Company, based on the total share capital on the date of equity distribution registration, cash dividends of RMB296,335,103.60 were distributed to all shareholders at RMB0.08 per share (inclusive of tax).

- (2) According to the resolution of Board of Director dated 27 March 2025, the Board of Directors proposes to distribute cash dividends of RMB2.90 per 10 shares (inclusive of tax) to all shareholders. The aforesaid proposal is pending for approval at the shareholders' meeting (Note X).

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(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

48. Operating income and operating cost

	2024	2023
Income from main operating activities	274,186,500,799.74	259,152,062,088.95
Income from other operating activities	1,064,434,089.92	1,143,026,854.58
Total	275,250,934,889.66	260,295,088,943.53

	2024	2023
Costs of main operating activities	244,071,369,617.71	228,317,991,473.91
Costs of other operating activities	547,891,434.27	648,955,527.33
Total	244,619,261,051.98	228,966,947,001.24

(1) Income from main operating activities and costs of main operating activities

	2024		2023	
	Income from main operating activities	Costs of main operating activities	Income from main operating activities	Costs of main operating activities
Domestic sales	270,219,738,668.00	241,282,389,690.65	255,966,774,117.46	226,189,307,279.26
Foreign sales	3,966,762,131.74	2,788,979,927.06	3,185,287,971.49	2,128,684,194.65
Total	274,186,500,799.74	244,071,369,617.71	259,152,062,088.95	228,317,991,473.91

(2) Income from main operating activities and costs of main operating activities are analysed by industry as follows:

	2024		2023	
	Income from main operating activities	Costs of main operating activities	Income from main operating activities	Costs of main operating activities
Production	23,730,757,007.62	9,680,681,264.63	26,256,792,197.75	10,898,239,514.39
Distribution	251,167,427,596.32	236,240,955,221.46	233,759,541,445.32	219,000,048,725.26
Retail	8,514,458,445.21	7,421,543,698.00	9,110,750,928.61	8,020,903,244.25
Others	274,210,529.60	207,448,747.60	284,529,321.63	249,504,887.00
Elimination	(9,500,352,779.01)	(9,479,259,313.98)	(10,259,551,804.36)	(9,850,704,896.99)
Total	274,186,500,799.74	244,071,369,617.71	259,152,062,088.95	228,317,991,473.91

The Company and its subsidiaries are mainly engaged in sale of products and recognise revenue at the point in time when control of goods has been transferred to customers.

The Company's and its subsidiaries' other operating income mainly represents revenue from rendering of services, which is recognised over time based on the progress of the completed services.

49. Taxes and levies

	2024	2023
City maintenance and construction tax	275,233,995.84	261,641,792.20
Education surcharge	216,801,081.81	207,432,465.64
Stamp duty	152,889,260.79	139,402,483.04
Property tax	92,642,062.99	94,293,900.21
Land use tax	27,178,442.90	26,357,585.17
Others	13,137,318.60	8,978,200.06
Total	777,882,162.93	738,106,426.32

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(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

50. Selling expenses

	2024	2023
Promotion and advertising costs	4,993,156,539.85	6,407,368,584.11
Employee benefits expenses	4,616,499,386.06	4,362,479,584.94
Travelling and meeting expenses	791,288,359.90	1,050,660,290.64
Depreciation of right-of-use assets	399,934,210.32	340,570,610.86
Storage costs	214,177,961.39	206,117,103.61
Rental fees	132,960,247.38	182,053,754.58
Amortisation of intangible assets	175,864,141.29	184,019,582.25
Depreciation of fixed assets	198,916,365.79	170,853,186.53
Office expenses	221,202,985.17	162,356,525.19
Others	969,976,234.12	835,712,280.79
Total	12,713,976,431.27	13,902,191,503.50

51. Administrative expenses

	2024	2023
Employee benefits expenses	3,251,641,660.34	3,390,798,053.41
Depreciation of fixed assets	379,689,471.58	319,063,579.51
Depreciation of right-of-use assets	200,764,836.64	213,001,729.37
Travelling and meeting expenses	227,627,795.16	252,879,540.30
Office expenses	166,146,810.60	170,779,152.60
Amortisation of intangible assets	119,788,427.18	124,675,079.26
Rental fees	92,304,073.91	77,522,079.52
Maintenance expenses	77,532,142.37	87,235,091.12
Others	1,174,345,839.38	1,075,873,141.00
Total	5,689,841,057.16	5,711,827,446.09

52. R&D expenses

	2024	2023
Employee benefits expenses	970,165,455.59	845,114,503.58
Technical development expenses	610,819,081.93	583,580,058.82
Depreciation and amortisation	232,320,830.47	205,264,096.40
Materials consumption fee	256,579,244.86	262,365,749.26
Test fees	125,864,905.01	129,641,261.33
Others	198,684,292.35	178,068,018.04
Total	2,394,433,810.21	2,204,033,687.43

53. Financial expenses

	2024	2023
Loan interest expenses (1)	1,625,902,769.33	1,663,554,793.96
Debenture interest expenses	130,824,332.74	135,851,668.83
Lease liabilities interest expenses	100,010,326.28	85,577,629.94
	1,856,737,428.35	1,884,984,092.73
Less: Interest income	(522,385,724.64)	(461,833,287.29)
Exchange losses (gains)	73,926,149.35	(11,406,560.75)
Others	72,634,323.37	74,013,402.76
Total	1,480,912,176.43	1,485,757,647.45

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(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

53. Financial expenses - continued

- (1) The Group recognised the cash obtained from the discount of notes receivables that did not satisfy the derecognition criteria as short-term borrowings (Note (IV)27), calculated the interest expense using effective interest rate method and included it in the loan interest expenses.

54. Expenses by nature

The operating costs, selling expenses, administrative expenses and R&D expenses in the income statements are listed as follows by nature:

	2024	2023
Raw materials, merchandise and consumables used	240,886,484,687.10	226,743,414,178.46
Changes in inventories of finished goods and work in progress	(1,375,982,145.28)	(2,793,701,991.01)
Employee benefits expenses	10,585,094,216.90	10,001,178,927.68
Promotion and advertising costs	4,993,156,539.85	6,407,368,584.11
Transportation costs	1,364,536,816.14	1,424,648,476.30
Travelling and meeting expenses	1,067,370,511.51	1,351,590,206.83
Depreciation of fixed assets	1,278,358,241.35	1,101,595,194.23
Depreciation of right-of-use assets	721,224,175.32	686,690,564.39
Energy and utilities	547,108,152.44	583,248,219.06
Regular maintenance expenses of fixed assets (1)	481,492,785.04	437,745,982.63
Amortisation of intangible assets	399,940,491.39	380,603,239.09
Office expenses	398,595,959.41	351,375,120.65
Rental fees	302,679,448.85	311,851,139.68
Auditor's fee - audit service	26,666,917.60	27,205,802.29
Auditor's fee - non-audit service	501,520.00	1,848,481.57
Others	3,740,284,033.00	3,768,337,512.30
Total	265,417,512,350.62	250,784,999,638.26

- (1) For the daily maintenance and repair expenses of fixed assets that do not meet the criteria of capitalisation, the Group includes the costs related to the production and processing of inventories in the costs of inventories and recognised as cost of sales accordingly, and includes the costs related to the research and development department, the administrative department and the sales department in R&D expenses, administrative expenses and selling and distribution expenses, respectively.

55. Impairment losses of assets

	2024	2023
Loss on decline in value of inventories	139,197,610.01	309,951,614.25
Impairment loss of long-term equity investments	25,428,136.44	180,674,234.85
Impairment loss on fixed assets	72,992,558.49	37,042,960.96
Impairment loss on intangible assets	61,341,523.13	19,442,084.00
Impairment loss on construction in progress	264,234.54	14,166,580.05
Impairment loss on goodwill	230,474,131.66	-
Impairment loss on right-of-use assets	83,448,826.84	-
Impairment loss on long-term prepaid expenses	1,226,543.36	-
Total	614,373,564.47	561,277,474.11

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(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

56. Impairment losses of credit

	2024	2023
Impairment loss on accounts receivable	232,037,711.33	241,286,636.09
Impairment (gain) loss on other receivables	(24,093,143.46)	22,527,942.60
Impairment loss on long-term receivables	23,526,591.48	13,049,441.18
Impairment (gain) loss on notes receivable	(5,560,858.65)	1,617,869.41
Bad debt loss on receivables financing	251,819.27	1,476,761.21
Total	226,162,119.97	279,958,650.49

57. Other income

	2024	2023
Government grants related to assets	87,188,159.47	31,265,209.21
Other government grants and subsidies	547,183,747.01	761,896,377.14
Total	634,371,906.48	793,161,586.35

58. Investment income (loss)

	2024	2023
Income from long-term equity investments under equity method	521,908,993.50	129,328,696.77
Dividend income from holding other non-current financial assets	43,053,490.28	34,154,812.53
Dividend income from holding investments in other equity instruments	663,194.40	672,457.09
Investment loss on disposal of subsidiaries and other business units	(11,994,536.75)	(4,159,027.10)
Loss on discount of receivables financing	(53,852,952.19)	(56,522,117.60)
Loss on derecognition of financial assets measured at amortised cost (1)	(158,721,185.85)	(187,598,478.68)
Others	39,369,725.34	16,000,980.31
Total	380,426,728.73	(68,122,676.68)

(1) As stated in Note (IV) 5(3), the Group factored and derecognised a few accounts receivable. The loss included in investment income for 2024 was RMB158,721,185.85 (2023: RMB187,598,478.68).

59. Gains from changes in fair value

	2024	2023
Structural deposits	207,274,382.04	313,240,792.12
Other non-current financial assets	(52,952,580.58)	75,176,890.17
Other non-current liabilities	(48,560,633.75)	15,536,457.50
Foreign exchange swap contracts	97,428,772.47	-
Forward exchange contracts	663,856.69	777,240.93
Total	203,853,796.87	404,731,380.72

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(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

60. Gains on disposal of assets

	2024	2023	Amount included in non-recurring profit or loss for 2024
Gains on disposal of fixed assets and intangible assets	171,334,076.54	83,178,377.80	171,334,076.54
Others	16,633,922.31	9,296,929.23	16,633,922.31
Total	187,967,998.85	92,475,307.03	187,967,998.85

61. Non-operating income

	2024	2023	Amount included in non-recurring profit or loss for 2024
Demolition and relocation compensation income	55,369,553.99	-	55,369,553.99
Penalty and compensation from suppliers	53,740,468.97	3,645,427.24	53,740,468.97
Others	47,289,863.64	37,044,304.03	47,289,863.64
Total	156,399,886.60	40,689,731.27	156,399,886.60

62. Non-operating expenses

	2024	2023	Amount included in non-recurring profit or loss for 2024
Penalty cost	137,171,507.95	484,217,172.52	137,171,507.95
Donation	38,224,955.15	46,443,810.20	38,224,955.15
Litigation compensation	26,564,945.89	12,693,922.26	26,564,945.89
Others	75,144,880.04	110,272,792.13	75,144,880.04
Total	277,106,289.03	653,627,697.11	277,106,289.03

63. Income tax expenses

	2024	2023
Current income tax calculated according to tax law and related regulations	2,251,928,463.06	2,087,834,383.92
Deferred income tax	(101,933,234.20)	(200,107,929.70)
Total	2,149,995,228.86	1,887,726,454.22

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(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

63. Income tax expenses - continued

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated financial statements to the income tax expenses is listed below:

	2024	2023
Total profit	8,020,006,543.74	7,054,296,738.48
Income tax expenses calculated at applicable tax rate	2,005,001,635.94	1,763,574,184.62
Effect of favourable tax rates	(301,990,052.25)	(313,803,594.28)
Income not subject to tax	(244,168,663.07)	(41,460,896.63)
Costs, expenses and losses not deductible for tax purposes	454,413,388.35	299,231,799.78
Additional deduction	(177,844,831.80)	(241,221,402.59)
Utilisation of deductible losses previously not recognised as deferred tax assets	(14,060,057.58)	(12,967,889.65)
Deductible losses and temporary differences for which no deferred tax assets was recognised	428,643,809.27	434,374,252.97
Income tax expenses	2,149,995,228.86	1,887,726,454.22

64. Earnings per share

(1) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding:

	2024	2023
Consolidated net profit attributable to ordinary shareholders of the Company	4,552,528,438.69	3,767,999,581.18
Weighted average numbers of the Company's ordinary shares outstanding	3,704,060,107.75	3,701,294,432.42
Basic earnings per share	1.23	1.02

(2) Diluted earnings per share

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary share by the adjusted weighted average numbers of ordinary shares outstanding. For 2024, the Company's potentially diluted ordinary shares represent the stock options of the First Granting (2023: potentially diluted ordinary shares represent stock options of the First Granting), the diluted and basic earnings per share are 1.23.

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(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

65. Notes to items in the cash flow statement

The Group's significant cash flow items are set out below:

(1) Other cash receipts relating to operating activities

	2024	2023
Guarantees, deposits, current accounts and advances	2,072,194,248.39	1,631,290,449.46
Interest income	511,038,818.85	442,024,427.18
Special subsidy and government grants	532,010,554.71	864,320,496.80
Non-operating income	154,391,129.62	32,891,351.51
Others	85,840,142.80	59,749,059.54
Total	3,355,474,894.37	3,030,275,784.49

(2) Other cash payments relating to operating activities

	2024	2023
Daily expenses	8,877,623,278.80	10,455,666,807.45
Guarantees, deposits, current accounts and advances	3,464,465,518.09	1,050,373,567.19
Bank charges	64,838,027.39	73,807,671.80
Non-operating expenses	235,940,649.32	551,341,170.31
Others	79,895,518.19	48,556,275.44
Total	12,722,762,991.79	12,179,745,492.19

(3) Cash receipts from disposals and recovery of investments

	2024	2023
Cash receipts from redemption of held-for-trading financial assets	47,383,887,000.00	26,853,300,000.00
Other non-current financial assets	425,541,496.41	25,343,654.99
Total	47,809,428,496.41	26,878,643,654.99

(4) Cash payments to acquire investments

	2024	2023
Cash payments to acquire held-for-trading financial assets	45,933,887,000.00	27,376,650,000.00

(5) Other cash receipts relating to investing activities

	2024	2023
Withdrawal of time deposits due over three months	1,032,135,310.43	1,108,193,112.10
Demolition and relocation compensation	-	127,968,965.00
Recovery of loans to related parties	58,555.50	21,317,271.12
Others	-	10,825,490.85
Total	1,032,193,865.93	1,268,304,839.07

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(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

65. Notes to items in the cash flow statement - continued

The Group's significant cash flow items are set out below: - continued

(6) Other cash payments relating to investing activities

	2024	2023
Time deposits due over three months	1,570,000,000.00	1,045,000,000.00
Loans to related parties	5,812,200.00	50,463,300.00
Additional capital contribution to associates and joint ventures	-	1,420,360.00
Others	21,388,687.93	1,051.93
Total	1,597,200,887.93	1,096,884,711.93

(7) Other cash receipts relating to financing activities

	2024	2023
Subsidiaries' borrowings from their minority shareholders	137,374,213.51	163,596,190.00
Others	-	541,959.09
Total	137,374,213.51	164,138,149.09

(8) Other cash payments relating to financing activities

	2024	2023
Subsidiaries' repayment to their shareholders	669,236,320.81	1,324,665,453.34
Cash payments for settlement of lease liabilities	742,764,832.60	781,944,517.32
Acquisition of minority interests	127,561,189.19	71,396,733.46
Repayment of amounts due to related parties	61,468,814.58	47,652,278.11
Total	1,601,031,157.18	2,225,658,982.23

For 2024, the Group has cash outflows relating to leases totalling to RMB1,045,444,281.45 (2023: RMB1,093,795,657.00), including payments for settlement of lease liabilities included in financing activities and the remainder of the cash outflows included in operating activities.

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(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

66. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

Reconciliation from net profit to cash flows from operating activities:

	2024	2023
Net profit	5,870,011,314.88	5,166,570,284.26
Add: Impairment losses of assets	614,373,564.47	561,277,474.11
Impairment losses of credit	226,162,119.97	279,958,650.49
Depreciation of right-of-use assets	721,224,175.32	686,690,564.39
Depreciation of fixed assets and investment properties	1,294,305,848.92	1,115,950,314.30
Amortisation of intangible assets	399,940,491.39	380,603,239.09
Amortisation of long-term prepaid expenses	191,100,283.87	192,328,518.62
Depreciation of biological assets	3,328,266.55	3,886,704.70
Gain on disposal of fixed assets, intangible assets and other long-term assets	(187,967,998.85)	(92,475,307.03)
Gains from changes in fair value	(203,853,796.87)	(404,731,380.72)
Financial expenses	1,837,342,811.14	1,862,945,397.89
Investment income	(593,000,866.77)	(175,997,919.60)
Decrease (increase) in deferred tax assets	89,329,045.05	(146,609,422.15)
Decrease in deferred tax liabilities	(199,367,317.15)	(48,181,370.15)
Increase in inventories	(2,297,647,988.62)	(2,303,791,595.46)
Increase in operating receivables	(4,041,023,805.03)	(6,432,413,771.71)
Increase in operating payables	2,103,001,583.06	4,585,509,346.07
Net cash flow from operating activities	5,827,257,731.33	5,231,519,727.10

Net changes in cash and cash equivalents

	2024	2023
Closing balance of cash and cash equivalents	31,881,272,794.87	27,499,809,001.20
Less: Opening balance of cash and cash equivalents	27,499,809,001.20	24,533,891,305.82
Net increase in cash and cash equivalents	4,381,463,793.67	2,965,917,695.38

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(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

66. Supplementary information to the cash flow statement - continued

(2) Acquisition of subsidiaries

	2024
Cash and cash equivalents paid in the current year for business combination that occurred in the current year	11,457,900.34
Including: SPH (Yingkou) Pharmaceutical Co., Ltd.	11,457,900.34
Less: Cash and cash equivalents held by the subsidiaries at the acquisition date	(7,422,970.06)
Including: SPH (Yingkou) Pharmaceutical Co., Ltd.	(7,422,970.06)
Add: Cash and cash equivalents paid in the current period for business combination that occurred in the prior period	79,473,652.54
Including: SPH Luoxin Pharmaceutical (Shandong) Co., Ltd.	79,473,652.54
Net cash paid for acquisitions of subsidiaries	83,508,582.82

Price of acquiring the subsidiaries for 2024

SPH (Yingkou) Pharmaceutical Co., Ltd.	14,735,000.00
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Price of acquiring the subsidiaries in the prior period

SPH (Hunan) Biological Products Co., Ltd.	149,000,000.00
SPH (Lianyungang) Co., Ltd.	81,000,000.00
SPH (Suzhou) Co., Ltd.	61,485,600.00
Shangyao Zhongwei (Hangzhou) Pharmaceutical Co., Ltd.	35,040,000.00
Total	326,525,600.00

Net assets of subsidiaries acquired for 2024 at the acquisition date

	2024
Current assets	26,445,085.17
Non-current assets	583,812.83
Current liabilities	(6,485,088.35)
Non-current liabilities	-
Total	20,543,809.65

(3) Changes in liabilities arising from financing activities

	Bank borrowings (including amounts due within one year)	SCP (Including amounts due within one year)	Lease liabilities (Including amounts due within one year)	Total
31 December 2023	43,712,870,918.40	6,051,321,311.48	2,146,746,225.90	51,910,938,455.78
Cash inflows from financing activities	61,928,229,561.85	11,997,222,500.01	-	73,925,452,061.86
Cash outflows from financing activities	(59,743,394,582.33)	(12,147,488,418.20)	(742,764,832.60)	(72,633,647,833.13)
Interest accrued for the year	1,625,902,769.33	130,824,332.74	100,010,326.28	1,856,737,428.35
Changes that do not involve cash receipts and payments	-	-	810,470,992.66	810,470,992.66
Others	(936,374,421.10)	-	(269,090,152.19)	(1,205,464,573.29)
31 December 2024	46,587,234,246.15	6,031,879,726.03	2,045,372,560.05	54,664,486,532.23

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(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

66. Supplementary information to the cash flow statement - continued

(4) Cash and cash equivalents

	31 December 2024	31 December 2023
Cash	31,881,272,794.87	27,499,809,001.20
Including: Cash on hand	2,406,335.55	2,848,490.78
Bank deposits that can be readily drawn on demand	31,878,866,459.32	27,496,960,510.42
Cash and cash equivalents at the end of the year	31,881,272,794.87	27,499,809,001.20

As stated in Note (IV)1, at 31 December 2024, other cash and bank balances of RMB3,863,055,243.70 (31 December 2023: RMB3,017,897,441.84), were not classified as cash and cash equivalents.

67. Foreign currency monetary items

	31 December 2024		
	Balance in foreign currency	Exchange rate	Balance in RMB
Cash and bank balances -			
USD	30,636,744.68	7.1884	220,229,175.46
HKD	133,454,843.49	0.9260	123,579,185.07
EUR	5,980,845.95	7.5257	45,010,052.37
AUD	5,729,837.76	4.5070	25,824,378.78
SGD	2,976,400.00	5.3214	15,838,614.96
Others	357,280,452.76		22,782,956.10
			453,264,362.74
Accounts receivable-			
USD	3,228,050.88	7.1884	23,204,520.95
HKD	2,791,635.10	0.9260	2,585,054.10
EUR	4,179,273.45	7.5257	31,451,958.20
AUD	18,719,513.29	4.5070	84,368,846.40
NZD	13,132,308.85	4.0955	53,783,370.90
SDP	1,600,820,815.00	0.0120	19,209,849.78
Others	42,705,033.43		4,183,088.98
			218,786,689.31

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(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

67. Foreign currency monetary items - continued

	31 December 2024		
	Balance in foreign currency	Exchange rate	Balance in RMB
Other receivables -			
USD	2,657,532.35	7.1884	19,103,405.54
HKD	4,727,516.35	0.9260	4,377,680.14
EUR	9,188,992.74	7.5257	69,153,602.66
Others	1,893,085.44		162,901.48
			92,797,589.82
Short-term borrowings -			
USD	54,594,612.36	7.1884	392,447,911.49
AUD	59,978,070.00	4.5070	270,321,161.49
			662,769,072.98
Accounts payable -			
USD	15,766,716.54	7.1884	113,337,465.18
HKD	8,843,584.85	0.9260	8,189,159.57
EUR	10,901,342.22	7.5257	82,040,231.15
AUD	3,389,006.02	4.5070	15,274,250.13
NZD	11,288,692.26	4.0955	46,232,839.15
Others	48,206,730.00		2,166,005.76
			267,239,950.94
Other payables -			
USD	156,214,931.99	7.1884	1,122,935,417.12
HKD	77,519,316.10	0.9260	71,782,886.71
EUR	514,174.20	7.5257	3,869,520.78
AUD	13,722,438.02	4.5070	61,847,028.16
NZD	11,240,832.79	4.0955	46,036,830.69
Others	141,750,831.53		1,834,654.02
			1,308,306,337.48
Lease liabilities due within one year -			
USD	379,490.71	7.1884	2,727,931.02
NZD	3,356,148.32	4.0955	13,745,105.44
Others	22,709.39		102,351.22
			16,575,387.68
Lease liabilities -			
NZD	59,075,539.81	4.0955	241,943,873.29
Others	1,577,210.89		2,051,936.55
			243,995,809.84

Foreign currencies in which the above monetary items are denominated refer to all currencies other than RMB (the scope of which is different from those in Note (XI) 1(1)).

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(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

68. Lease

(1) The Group as lessee

Lease expenses for short-term leases or low-value assets that are treated under simplified methods:

Rental fees for short-term leases and low-value leases that are treated under simplified methods recognised in profit or loss for 2024 amounted to RMB302,679,448.85 (2023: RMB311,851,139.68).

As at 31 December 2024, the Group's future minimum lease payable for short-term leases and low-value asset leases that are treated under simplified methods amounted to RMB114,180,149.02 and RMB1,748,837.79 (31 December 2023: RMB142,794,303.86 and RMB856,360.90), respectively, both of which are payable within one year.

For 2024, the Group has cash outflows relating to leases totalling to RMB1,045,444,281.45 (2023: RMB1,093,795,657.00), including payments for settlement of lease liabilities included in financing activities and the remainder of the cash outflows included in operating activities.

The group has leased several assets, mainly including buildings and machinery equipment. The lease terms are negotiated on an individual basis, encompassing various clauses and conditions. In determining the lease term and assessing the length of the non-cancellable period, the group applies the contract's definition and identifies the period during which the contract is enforceable.

As of December 31, 2024, apart from the deposits paid by the group to the lessors as security interests for the leased assets, the lease agreements do not include any other security provisions. The right-of-use assets cannot be used for purposes such as collateral for borrowing or guarantees.

(2) The Group as lessor

The undiscounted cash amount of lease payments receivable by the Group as lessor after the balance sheet date is summarised below:

	31 December 2024	31 December 2023
Within 1 year	36,175,665.50	36,561,936.32
1 to 2 years	12,716,459.82	29,010,587.89
2 to 5 years	5,635,362.96	39,794,630.63
Over 5 years	8,948,994.76	10,499,725.12
	63,476,483.04	115,866,879.96

The business operations of the group as a lessor are primarily related to the leasing of buildings and structures. The group believes that the unsecured balance of these assets does not pose a significant risk to the group.

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(V) EQUITY IN OTHER ENTITIES

1. Equity in significant subsidiaries

(1) The structure of the Group

Name of significant subsidiaries	Place of operation	Place of incorporation	Nature of business	Registered capital	Shareholding proportion(%)		Acquisition method
					Direct	Indirect	
Shanghai Pharma Co., Ltd.	Shanghai	Shanghai	Sales of pharmaceutical products	5,000,000,000.00	100.00	-	Subsidiaries established through establishment or investment
Shanghai Pharma Sales Co., Ltd.	Shanghai	Shanghai	Sales of pharmaceutical products	50,000,000.00	100.00	-	Subsidiaries established through establishment or investment
China International Pharmaceutical (Holding) Corporation Limited	Hong Kong	Hong Kong	Sales of pharmaceutical products	22,508,000.00	100.00	-	Subsidiaries established through establishment or investment
SPH Sine Pharmaceutical Factory Co., Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	1,191,611,000.00	100.00	-	Subsidiaries obtained through business combinations involving enterprises under common control
SPH No. 1 Biochemical & Pharmaceutical Co., Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	225,000,000.00	100.00	-	Subsidiaries obtained through business combinations involving enterprises under common control
Shanghai Zhongxi Sunve Pharmaceutical Co., Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	545,800,000.00	65.13	34.87	Subsidiaries established through establishment or investment
SPH Changzhou Pharmaceutical Co., Ltd.	Changzhou	Changzhou	Production and sales of pharmaceutical products	157,580,506.00	57.36	18.53	Subsidiaries obtained through business combinations involving enterprises under common control
SPH New Asia Pharmaceutical Co., Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	1,052,429,000.00	96.90	-	Subsidiaries obtained through business combinations involving enterprises under common control
Shanghai Pharma Group Changzhou Kony Pharmaceutical Co., Ltd.	Changzhou	Changzhou	Production and sales of pharmaceutical products	14,946,380.00	100.00	-	Subsidiaries obtained through business combinations not involving enterprises under common control
Shanghai TCM Co., Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	1,476,070,000.00	100.00	-	Subsidiaries obtained through business combinations involving enterprises under common control
Shanghai Zhonghua Pharmaceutical Co., Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	93,642,000.00	100.00	-	Subsidiaries obtained through business combinations involving enterprises under common control
SPH Qingdao Guofeng Pharmaceutical Co., Ltd.	Qingdao	Qingdao	Production and sales of pharmaceutical products	93,000,000.00	67.52	-	Subsidiaries obtained through business combinations involving enterprises under common control
Chia Tai Qingchunbao Pharmaceutical Co. Ltd.	Huzhou	Huzhou	Production and sales of pharmaceutical products	128,500,000.00	20.00	55.00	Subsidiaries obtained through business combinations involving enterprises under common control
Hangzhou Huqingyutang Pharmaceutical Co., Ltd.	Hangzhou	Hangzhou	Production and sales of pharmaceutical products	135,000,000.00	-	51.01	Subsidiaries obtained through business combinations involving enterprises under common control
Xiamen TCM Factory Co., Ltd.	Xiamen	Xiamen	Production and sales of pharmaceutical products	200,000,000.00	-	61.00	Subsidiaries obtained through business combinations involving enterprises under common control
Liaoning SPH Herbapex Pharmaceutical (Group) Co., Ltd.	Benxi	Benxi	Production and sales of pharmaceutical products	102,000,000.00	55.00	-	Subsidiaries obtained through business combinations involving enterprises under common control
Shanghai Sunve Bio-Tech Co., Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	USD 15,343,300	-	100.00	Subsidiaries established through establishment or investment
Guangdong Techpool Biochemical Pharmaceutical Co., Ltd.	Guangzhou	Guangzhou	Production and sales of pharmaceutical products	100,000,000.00	39.28	27.86	Subsidiaries obtained through business combinations not involving enterprises under common control
Zeus Investment Limited	Hong Kong	Hong Kong	Equity investment	AUD 319,208,250	-	59.61	Subsidiaries established through establishment or investment
Shanghai Medical Instruments Co., Ltd.	Shanghai	Shanghai	Production and sales of medical instruments	327,000,000.00	99.21	0.79	Subsidiaries obtained through business combinations involving enterprises under common control
Shanghai Sine Tianping Pharmaceutical Co., Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	154,700,000.00	-	100.00	Subsidiaries obtained through business combinations involving enterprises under common control

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(V) EQUITY IN OTHER ENTITIES - continued

1. Equity in significant subsidiaries - continued

(1) The structure of the Group - continued

Name of significant subsidiaries	Place of operation	Place of incorporation	Nature of business	Registered capital	Shareholding proportion(%)		Acquisition method
					Direct	Indirect	
Shanghai Sine Jinzhu Pharmaceutical Co., Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	50,000,000.00	-	100.00	Subsidiaries obtained through business combinations involving enterprises under common control
Shanghai Sine Wanxiang Pharmaceutical Co., Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	100,000,000.00	-	89.92	Subsidiaries obtained through business combinations involving enterprises under common control
Shandong Sine Pharmaceutical Co., Ltd.	Dezhou	Dezhou	Production and sales of pharmaceutical products	177,406,159.00	-	67.00	Subsidiaries obtained through business combinations not involving enterprises under common control
Shanghai SPH New Asiatic Minghang Pharmaceutical Co., Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	57,500,000.00	-	100.00	Subsidiaries obtained through business combinations involving enterprises under common control
SPH Chongqing Huiyuan Pharmaceutical Co., Ltd.	Chongqing	Chongqing	Production and sales of pharmaceutical products	23,809,522.00	-	100.00	Subsidiaries obtained through business combinations not involving enterprises under common control
Shanghai SPH Zhong Xi Pharmaceutical Co., Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	148,200,000.00	-	90.00	Subsidiaries established through establishment or investment
Shanghai SPH Hua Yu Pharmaceutical Co., Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	270,060,000.00	-	100.00	Subsidiaries obtained through business combinations involving enterprises under common control
Shanghai Leiyunshang Pharmaceutical Co., Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	465,070,000.00	-	100.00	Subsidiaries obtained through business combinations involving enterprises under common control
Shanghai SPH Shen Xiang Health Pharmaceutical Co., Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	150,000,000.00	-	100.00	Subsidiaries obtained through business combinations involving enterprises under common control
SHP Xingling Sci.&Tech. Pharmaceutical Co., Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	80,000,000.00	-	86.31	Subsidiaries obtained through business combinations involving enterprises under common control
Zhejiang Jiuxu Pharmaceutical Co., Ltd.	Jinhua	Jinhua	Production and sales of pharmaceutical products	25,000,000.00	-	51.00	Subsidiaries obtained through business combinations not involving enterprises under common control
Changzhou Pharmaceutical Factory Co., Ltd.	Changzhou	Changzhou	Production and sales of pharmaceutical products	108,000,000.00	-	77.78	Subsidiaries obtained through business combinations involving enterprises under common control
Chifeng Aike Pharmaceutical Technology Co., Ltd.	Chifeng	Chifeng	Production and sales of pharmaceutical products	40,900,000.00	-	58.19	Subsidiaries obtained through business combinations involving enterprises under common control
Shanghai Pharmaceutical Import and Export Co., Ltd.	Shanghai	Shanghai	Sales of pharmaceutical products	90,140,000.00	100.00	-	Subsidiaries obtained through business combinations involving enterprises under common control

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(V) EQUITY IN OTHER ENTITIES - continued

1. Equity in significant subsidiaries - continued

(1) The structure of the Group - continued

Name of significant subsidiaries	Place of operation	Place of incorporation	Nature of business	Registered capital	Shareholding proportion(%)		Acquisition method
					Direct	Indirect	
Shanghai Shangyao Ruier Pharmaceutical Co., Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	100,000,000.00	100.00	-	Subsidiaries established through establishment or investment
Shanghai Innovation Center for Biopharmaceuticals	Shanghai	Shanghai	Production and sales of pharmaceutical products	500,000,000.00	48.08	-	Subsidiaries established through establishment or investment
SPH Jiangsu Co., Ltd.	Wuxi	Wuxi	Sales of pharmaceutical products	119,224,505.00	-	98.11	Subsidiaries obtained through business combinations not involving enterprises under common control
SPH Biotherapeutics Limited	Shanghai	Shanghai	Production and sales of pharmaceutical products	100,000,000.00	100.00	-	Subsidiaries established through establishment or investment
SPH Shandong Pharmaceutical Co., Ltd.	Jinan	Jinan	Sales of pharmaceutical products	200,000,000.00	-	75.00	Subsidiaries obtained through business combinations not involving enterprises under common control
Shanghai Pharma Zhejiang Co.,Ltd.	Hangzhou	Hangzhou	Sales of pharmaceutical products	106,780,000.00	-	67.00	Subsidiaries obtained through business combinations not involving enterprises under common control
SPH Sichuan Co., Ltd.	Chengdu	Chengdu	Sales of pharmaceutical products	102,040,816.00	-	51.00	Subsidiaries obtained through business combinations not involving enterprises under common control
Liaoning Pharmaceutical Foreign Trading Co., Ltd.	Shenyang	Shenyang	Sales of pharmaceutical products	282,012,500.00	53.86	-	Subsidiaries obtained through business combinations not involving enterprises under common control
SPH Pharmaceutical Technology Co., Ltd.	Shanghai	Shanghai	Sales of pharmaceutical products	100,000,000.00	-	100.00	Subsidiaries established through establishment or investment

Note 1: Except SPH Changzhou Pharmaceutical Co., Ltd., SPH Qingdao Guofeng Pharmaceutical Co., Ltd., Guangdong Techpool Biochemical Pharmaceutical Co., Ltd., Shanghai Sine Wanxiang Pharmaceutical Co., Ltd., SHP Xingling Sci.&Tech. Pharmaceutical Co., Ltd., Shanghai Medical Instruments Co., Ltd., Chifeng Aike Pharmaceutical Technology Co., Ltd. and SPH Jiangsu Co., Ltd., whose corporate category is incorporated company by shares, all of the above-mentioned subsidiaries are limited liability companies. As of December 31, 2024, none of the subsidiaries of our company has issued bonds.

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(V) EQUITY IN OTHER ENTITIES - continued

1. Equity in significant subsidiaries - continued

(2) Subsidiaries with significant minority interests

The Group has comprehensively considered factors such as whether the subsidiary is a listed company, the proportion of minority shareholder equity to the consolidated shareholder equity of the Group, and the proportion of minority shareholder gains and losses to the consolidated net profit of the Group. The subsidiaries with significant minority shareholder equity are determined as follows:

Name of significant subsidiaries	Shareholding proportion of minority interests (%)	Comprehensive income attributable to minority interests for the year 2024	Dividends distributed to minority interests for the year 2024 (i)	Minority interests as at 31 December 2024
SPH Changzhou Pharmaceutical Co., Ltd. and its subsidiaries	24.11	110,491,946.03	66,753,109.80	1,171,006,756.23
Sichuan Guojia Pharmaceuticals Technology Co., Ltd. and its subsidiaries	49.00	59,937,093.36	58,426,852.31	1,086,441,973.20

(i) All dividends declared to minority shareholders for the year 2024 were paid in the period.

The key financial information of the above significant non-wholly-owned subsidiaries is as follows:

	31 December 2024					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
SPH Changzhou Pharmaceutical Co., Ltd. and its subsidiaries	3,673,269,224.29	1,797,453,775.92	5,470,723,000.21	(2,196,143,021.29)	(225,924,151.40)	(2,422,067,172.69)
Sichuan Guojia Pharmaceuticals Technology Co., Ltd. and its subsidiaries	2,653,210,535.07	520,610,780.93	3,173,821,316.00	(965,408,899.89)	(9,350,184.75)	(974,759,084.64)

	31 December 2023					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
SPH Changzhou Pharmaceutical Co., Ltd. and its subsidiaries	3,504,411,258.51	1,729,813,774.97	5,234,225,033.48	(2,211,362,165.00)	(86,292,878.91)	(2,297,655,043.91)
Sichuan Guojia Pharmaceuticals Technology Co., Ltd. and its subsidiaries	2,609,700,461.63	489,976,967.17	3,099,677,428.80	(832,380,185.30)	(67,225,939.37)	(899,606,124.67)

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(V) EQUITY IN OTHER ENTITIES - continued

1. Equity in significant subsidiaries - continued

(2) Subsidiaries with significant minority interests - continued

Note 1: As for the year 2024, the equity and comprehensive income of SPH Changzhou Pharmaceutical Co., Ltd. to minority interests presented in the consolidated financial statement were RMB574,483,905.94 and RMB70,123,469.50, respectively.

Note 2: As for the year 2024, the equity and comprehensive income of Sichuan Guojia Pharmaceuticals Technology Co., Ltd. to minority interests presented in the consolidated financial statement were RMB17,453,882.03 and RMB5,923,629.29, respectively.

	2024			
	Operating income	Net profit	Total comprehensive income	Net cash flow from operating activities
SPH Changzhou Pharmaceutical Co., Ltd. and its subsidiaries	6,497,781,976.02	237,558,046.58	237,558,046.58	310,104,854.07
Sichuan Guojia Pharmaceuticals Technology Co., Ltd. and its subsidiaries	4,705,833,022.04	116,164,885.14	116,155,188.61	(131,264,251.84)

	2023			
	Operating income	Net profit	Total comprehensive income	Net cash flow from operating activities
SPH Changzhou Pharmaceutical Co., Ltd. and its subsidiaries	6,309,922,700.24	261,480,633.52	261,480,633.52	258,473,793.03
Sichuan Guojia Pharmaceuticals Technology Co., Ltd. and its subsidiaries	4,140,896,478.00	77,366,831.99	77,373,902.06	(11,571,052.22)

2. Equity in joint ventures and associates

(1) Summarised basic information of significant joint ventures and associates

The Group identifies significant joint ventures and associates by taking into account factors such as whether the joint ventures and associates are listed companies, the proportion of their carrying amounts to the Group's consolidated total assets, and the proportion of the income from long-term equity investments accounted for under the equity method to the Group's consolidated net profit, as set out below:

	Place of operation	Place of incorporation	Nature of business	Strategic for group activities?	Shareholding proportion (%)	
					Direct	Indirect
Associates-						
Shanghai Roche Pharmaceutical Co., Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	Yes	-	30.00
Sino-American Shanghai Squibb Pharmaceuticals Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	Yes	30.00	-
Joint ventures-						
Shanghai Hutchison Pharmaceutical Co., Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	Yes	-	50.00

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(V) EQUITY IN OTHER ENTITIES - continued

2. Equity in joint ventures and associates - continued

(2) Summarised financial information of significant joint ventures

	RMB'000	
	31 December 2024	31 December 2023
	Shanghai Hutchison Pharmaceutical Co., Ltd.	Shanghai Hutchison Pharmaceutical Co., Ltd.
Current assets	1,575,958	1,439,088
Including: Cash and cash equivalents	376,650	137,836
Non-current assets	499,480	531,492
Total assets	2,075,438	1,970,580
Current liabilities	945,374	1,286,189
Non-current liabilities	13,748	24,841
Total liabilities	959,122	1,311,030
Owners' equity	1,116,316	659,550
Share of net assets in proportion of shareholdings (i)	558,158	329,775
Carrying amount of investments in joint ventures	558,158	329,775
Fair value of investments in joint ventures with quoted price	N/A	N/A

	RMB'000	
	2024	2023
	Shanghai Hutchison Pharmaceutical Co., Ltd.	Shanghai Hutchison Pharmaceutical Co., Ltd.
Operating income	2,834,400	2,702,384
Financial expenses	4,905	4,476
Income tax expenses	(115,064)	(117,928)
Net profit	668,490	663,358
Total comprehensive income	668,490	663,358
Dividends declared by the joint ventures to the Group	105,862	494,138

- (i) The Group calculates share of assets in proportion of the shareholdings based on the amount attributable to the parent company of joint ventures in their consolidated financial statements. The impacts of fair value of identifiable assets and liabilities of joint ventures at the time of acquisition and the unification of accounting policies are considered for the amount in the consolidated financial statements of joint ventures. None of the assets involved in transactions between the Group and its joint ventures constitute business.

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(V) EQUITY IN OTHER ENTITIES - continued

2. Equity in joint ventures and associates - continued

(3) Summarised financial information of significant associates

RMB'000

	31 December 2024		31 December 2023	
	Shanghai Roche Pharmaceutical Co., Ltd.	Sino-American Shanghai Squibb Pharmaceuticals Ltd.	Shanghai Roche Pharmaceutical Co., Ltd.	Sino-American Shanghai Squibb Pharmaceuticals Ltd.
Current assets	5,251,852	1,329,846	6,762,399	1,143,361
Non-current assets	1,699,786	366,501	1,980,700	439,180
Total assets	6,951,638	1,696,347	8,743,099	1,582,541
Current liabilities	3,203,684	984,870	3,747,627	826,176
Non-current liabilities	56,749	1,106	61,949	2,007
Total liabilities	3,260,433	985,976	3,809,576	828,183
Owners' equity	3,691,205	710,371	4,933,523	754,358
Share of net assets in proportion of shareholdings (i)	1,107,362	213,111	1,480,057	226,307
Carrying amount of equity investments in associates	1,107,362	213,111	1,480,057	226,307
Fair value of investments in associates with quoted price	N/A	N/A	N/A	N/A

RMB'000

	2024		2023	
	Shanghai Roche Pharmaceutical Co., Ltd.	Sino-American Shanghai Squibb Pharmaceuticals Ltd.	Shanghai Roche Pharmaceutical Co., Ltd.	Sino-American Shanghai Squibb Pharmaceuticals Ltd.
Operating income	6,665,009	1,795,208	10,943,807	1,896,146
Net profit	321,381	247,515	361,031	291,503
Total comprehensive income	321,381	247,515	361,031	291,503
Dividends declared by the associates to the Group	474,203	87,451	50,357	88,101

- (i) The Group calculated the shares of assets in proportion of the shareholdings and based on the amount attributable to the parent company of the associates in their consolidated financial statements. The impacts of fair value of identifiable assets and liabilities of associates at the time of acquisition and the unification of accounting policies are considered the amount in the consolidated financial statements of associates. None of the assets involved in transactions between the Group and its associates constitute business.

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(V) EQUITY IN OTHER ENTITIES - continued**2. Equity in joint ventures and associates - continued**

(4) Summarised financial information of non-significant joint ventures and associates

	2024	2023
Joint ventures:		
Total carrying amount of investments	1,715,771	1,752,919
Total of the following by shareholding ratio		
Net profit (i)	(31,096)	(10,891)
Total comprehensive income	(31,096)	(10,891)
Associates:		
Total carrying amount of investments	4,472,443	4,562,853
Total of the following by shareholding ratio		
Net profit (i)	38,738	(387,395)
Other comprehensive income (i)	(30)	(133)
Total comprehensive income	38,708	(387,528)

- (i) The impacts of fair value of identifiable assets and liabilities at the time of investment and the unification of accounting policies are considered for the net profit and other comprehensive income.

(VI) SEGMENT INFORMATION

The Group derives its business primarily from the PRC and determines its operating segments on a business perspective. Different businesses require different technologies and marketing strategies, the Group, therefore, separately manages the production and operation of each operating segment and evaluates their operating results respectively, in order to make decisions about resources to be allocated to these segments and to assess their performance.

The Group identified 4 reportable segments as follows:

- Production segment, which is mainly engaged in research and development, production and sales of a broad range of pharmaceutical and healthcare products;
- Distribution segment, which is mainly engaged in distribution, warehousing, and other value-added pharmaceutical supply chain solutions and related services to pharmaceutical manufacturers and dispensers;
- Retail segment, which is mainly engaged in operation of a network of retail pharmacy stores; and
- Other segment, which is mainly engaged in other businesses.

Inter-segment transfer prices are measured by reference to selling prices to third parties. The assets are allocated based on the operations of the segment and the physical location of the asset. The liabilities are allocated based on the operations of the segment. Expenses indirectly attributable to each segment are allocated to the segments based on the proportion of each segment's revenue.

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

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(VI) SEGMENT INFORMATION - continued

(1) Segment information for the year 2024 and at 31 December 2024 is as follows:

	Production	Distribution	Retail	Other	Elimination	Total
Operating income	23,730,757,007.62	251,167,427,596.32	8,514,458,445.21	1,753,307,804.55	(9,915,015,964.04)	275,250,934,889.66
Including: External income	20,011,228,657.55	245,523,244,812.97	8,462,359,937.07	1,254,101,482.07	-	275,250,934,889.66
Inter-segment income	3,719,528,350.07	5,644,182,783.35	52,098,508.14	499,206,322.48	(9,915,015,964.04)	-
Less: Operating costs	(9,680,681,264.63)	(236,240,955,221.46)	(7,421,543,698.00)	(766,371,356.98)	9,490,290,489.09	(244,619,261,051.98)
Taxes and levies	(257,982,261.03)	(476,915,316.78)	(21,309,175.20)	(21,675,409.92)	-	(777,882,162.93)
Selling expenses	(6,818,280,421.07)	(4,966,385,314.33)	(727,854,769.47)	(299,908,644.25)	98,452,717.85	(12,713,976,431.27)
Administrative expenses	(2,297,169,873.68)	(2,659,302,005.09)	(232,943,354.28)	(625,953,154.07)	125,527,329.96	(5,689,841,057.16)
R&D expenses	(2,394,433,810.21)	-	-	-	-	(2,394,433,810.21)
Segment profit	2,282,209,377.00	6,823,869,738.66	110,807,448.26	39,399,239.33	(200,745,427.14)	9,055,540,376.11
Unallocated:						
Financial expenses						(1,480,912,176.43)
Impairment losses of assets						(614,373,564.47)
Impairment losses of credit						(226,162,119.97)
Add: Gains from changes in fair value						203,853,796.87
Investment income						380,426,728.73
Other income						634,371,906.48
Gains on disposal of assets						187,967,998.85
Operating profit						8,140,712,946.17
Depreciation and amortisation	1,287,093,607.03	1,086,769,452.67	134,654,883.03	123,287,589.81	-	2,631,805,532.54
Capital expenditures	2,195,525,266.18	657,697,991.44	20,141,842.20	397,518,341.35	-	3,270,883,441.17
Long-term equity investments - associates - net	3,170,970,199.86	1,798,883,294.97	627,418.54	822,434,578.65	-	5,792,915,492.02
Long-term equity investments - joint ventures - net	1,840,974,735.18	432,954,645.69	-	-	-	2,273,929,380.87
Other assets	43,286,717,970.94	154,453,621,671.85	3,172,709,688.57	41,249,688,025.26	(30,647,681,094.55)	211,515,056,262.07
Unallocated:						
Deferred tax assets						1,627,529,013.21
Total assets						221,209,430,148.17
Liabilities	22,174,942,695.24	118,275,668,393.10	2,480,648,271.94	27,948,609,456.30	(35,065,128,524.86)	135,814,740,291.72
Unallocated:						
Deferred tax liabilities						816,452,826.21
Income tax payable						835,873,309.17
Total liabilities						137,467,066,427.10

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

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(VI) SEGMENT INFORMATION - continued

(2) Segment information for the year 2023 and at 31 December 2023 is as follows:

	Production	Distribution	Retail	Other	Elimination	Total
Operating income	26,256,792,197.75	233,759,541,445.32	9,110,750,928.61	1,816,495,297.76	(10,648,490,925.91)	260,295,088,943.53
Including: External income	21,707,541,655.63	228,347,232,463.47	9,052,814,448.62	1,187,500,375.81	-	260,295,088,943.53
Inter-segment income	4,549,250,542.12	5,412,308,981.85	57,936,479.99	628,994,921.95	(10,648,490,925.91)	-
Less: Operating costs	(10,898,239,514.40)	(219,000,048,725.26)	(8,020,903,244.25)	(1,053,495,491.07)	10,005,739,973.74	(228,966,947,001.24)
Taxes and levies	(265,569,139.91)	(436,595,795.21)	(18,068,851.72)	(17,872,639.48)	-	(738,106,426.32)
Selling expenses	(8,477,144,784.79)	(4,729,731,844.60)	(737,552,836.15)	(144,858,835.34)	187,096,797.38	(13,902,191,503.50)
Administrative expenses	(2,332,174,318.92)	(2,787,979,431.74)	(242,154,060.19)	(512,087,189.91)	162,567,554.67	(5,711,827,446.09)
R&D expenses	(2,204,033,687.43)	-	-	-	-	(2,204,033,687.43)
Segment profit	2,079,630,752.30	6,805,185,648.51	92,071,936.30	88,181,141.96	(293,086,600.12)	8,771,982,878.95
Unallocated:						
Financial expenses						(1,485,757,647.45)
Impairment losses of assets						(561,277,474.11)
Impairment losses of credit						(279,958,650.49)
Add: Gains from changes in fair value						404,731,380.72
Investment income						(68,122,676.68)
Other income						793,161,586.35
Gains on disposal of assets						92,475,307.03
Operating profit						7,667,234,704.32
Depreciation and amortisation	1,141,942,965.09	1,018,943,291.38	137,527,185.47	136,637,885.10	-	2,435,051,327.04
Capital expenditures	1,981,670,908.02	566,340,233.45	25,273,896.06	624,548,295.19	-	3,197,833,332.72
Long-term equity investments - associates - net	3,514,675,670.37	1,767,622,019.12	1,308,395.75	985,610,565.35	-	6,269,216,650.59
Long-term equity investments - joint ventures - net	1,667,764,533.03	414,928,926.55	-	-	-	2,082,693,459.58
Other assets	44,189,432,486.61	149,136,840,310.29	3,069,237,809.12	66,265,386,910.23	(60,757,131,917.88)	201,903,765,598.37
Unallocated:						
Deferred tax assets						1,716,858,058.26
Total assets						211,972,533,766.80
Liabilities	20,991,758,023.66	110,232,298,164.43	2,488,888,305.59	31,243,596,406.17	(35,135,717,939.97)	129,820,822,959.88
Unallocated:						
Deferred tax liabilities						1,015,820,143.36
Income tax payable						809,797,698.63
Total liabilities						131,646,440,801.87

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(VII) RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. The parent company

(1) General information of the parent company

	Place of incorporation	Nature of business
Shanghai Pharma Group	No 92, Zhangjiang Road, Shanghai	Pharmaceutical products manufacture

The Company's ultimate controlling party is SIIC, incorporated in Hong Kong.

(2) Registered capital and changes in registered capital of the parent company

	31 December 2023	Increase in the current year	Decrease in the current year	31 December 2024
Shanghai Pharma Group	3,158,720,000.00	-	-	3,158,720,000.00

(3) The percentages of shareholding and voting rights in the Company held by the parent company

	31 December 2024		31 December 2023	
	Shareholding proportion (%)	Voting rights proportion (%)	Shareholding proportion (%)	Voting rights proportion (%)
Shanghai Pharma Group	19.32	19.32	19.35	19.35

2. Subsidiaries

For basic and related information of significant subsidiaries, please refer to Note (V)1.

3. Joint ventures and associates

Except for the important joint ventures and associates disclosed in Note (IV)14, the other joint ventures and associates that have related party transactions with the Group are as follows:

	Relationship with the Group
Shanghai Huaren Pharmaceutical Co., Ltd.	Associate
Shanghai Huayu Saffron Planting Professional Cooperative	Associate
Shanghai Bracco Sine Pharmaceutical Corp., Ltd.	Associate

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(VII) RELATED PARTIES AND RELATED PARTY TRANSACTIONS - continued

4. Other related parties

	Relationship with the Group
Yunnan Baiyao Group Co., Ltd. and its subsidiaries	Shareholder with more than 5% of the Company's shares
Shanghai Indu-Land Property Co., Ltd.	Controlled by the same ultimate controlling party
Shanghai Yingdalai Property Co., Ltd.	Controlled by the same ultimate controlling party
Wing Fat Printing Limited and its subsidiaries	Controlled by the same ultimate controlling party
Shanghai Shiyu Urban Construction Management Co., Ltd.	Controlled by the same ultimate controlling party
Chongqing Quanzhidao Pharmaceutical Co., Ltd.	Controlled by the same ultimate controlling party
Shanghai Biomedical Industry Equity Investment Fund Partnership (Limited Partnership)	Significantly influenced by the ultimate controlling party

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(VII) RELATED PARTIES AND RELATED PARTY TRANSACTIONS - continued

5. Related party transaction

Except for the items disclosed in other items of the financial statements, other related party transactions of the Group include:

(1) Purchase and sales of goods, rendering and receipts of services

Purchase of goods and receipts of services:

RMB'000

	Related party transaction	Pricing policies	Amount of transactions approved	Exceeding the transaction limit?	2024	2023	
	Shanghai Roche Pharmaceutical Co., Ltd.	Purchase of goods	By negotiation	N/A	1,132,553.06	1,689,678.23	
	Yunnan Baiyao Group Co., Ltd. and its subsidiaries	Purchase of goods	By negotiation	700,000.00	No	474,122.60	405,843.81
	Sino-American Shanghai Squibb Pharmaceuticals Ltd.	Purchase of goods	By negotiation	N/A	N/A	437,649.40	388,390.65
	Shanghai Hutchison Pharmaceutical Co., Ltd. and its subsidiaries	Purchase of goods	By negotiation	N/A	N/A	277,558.62	318,979.47
	Shanghai Pharma Health Commerce Co., Ltd. and its subsidiaries	Purchase of goods	By negotiation	N/A	N/A	361,160.06	156,321.10
	Shanghai Bracco Sine Pharmaceutical Corp., Ltd.	Purchase of goods	By negotiation	N/A	N/A	184,616.61	151,381.57
	Shanghai Leiyunshang Northern Area Medicine General Co., Ltd. and its subsidiaries	Purchase of goods	By negotiation	N/A	N/A	81,714.92	84,757.66
	Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.	Purchase of goods	By negotiation	N/A	N/A	80,548.72	74,603.39
	Wing Fat Printing Limited and its subsidiaries	Purchase of goods	By negotiation	90,000.00	No	54,417.11	52,244.81
	Jiangxi Nanhua Medicines Co., Ltd. and its subsidiaries	Purchase of goods	By negotiation	N/A	N/A	52,609.11	32,523.31
	Shanghai Sine Promod Pharmaceutical Co., Ltd. and its subsidiaries	Purchase of goods	By negotiation	N/A	N/A	11,089.92	24,901.27
	Others	Purchase of goods and service received	By negotiation	N/A	N/A	26,905.14	88,330.03
	Total				3,174,945.27	3,467,955.30	

Sales of goods and rendering of services:

RMB'000

	Related party transaction	Pricing policies	Amount of transactions approved	Exceeding the transaction limit?	2024	2023	
	Jiangxi Nanhua Medicines Co., Ltd. and its subsidiaries	Sales of goods	By negotiation	N/A	N/A	3,715,232.51	3,945,402.62
	Shanghai Pharma Health Commerce Co., Ltd.'s subsidiaries	Sales of goods	By negotiation	N/A	N/A	1,310,800.92	1,905,473.86
	Yunnan Baiyao Group Co., Ltd. and its subsidiaries	Sales of goods	By negotiation	1,200,000.00	No	728,349.79	615,537.71
	Beijing Lianxin Pharmaceutical Co., Ltd.	Sales of goods	By negotiation	N/A	N/A	150,349.23	149,557.69
	Shanghai Leiyunshang Northern Area Medicine General Co., Ltd. and its subsidiaries	Sales of goods	By negotiation	N/A	N/A	38,844.18	99,661.80
	Shanghai Hutchison Pharmaceutical Co., Ltd. and its subsidiaries	Sales of goods	By negotiation	N/A	N/A	100,653.28	91,429.36
	Chongqing Pharmaceuticals Shanghai Medicine Sales Co., Ltd.	Sales of goods	By negotiation	N/A	N/A	81,771.06	76,819.83
	Others	Sales of goods and rendering of services	By negotiation	N/A	N/A	58,395.73	79,677.66
	Total				6,184,396.70	6,963,560.53	

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(VII) RELATED PARTIES AND RELATED PARTY TRANSACTIONS - continued**5. Related party transaction - continued**

(2) Leases

The rental income recognised by the Group as the lessor:

RMB'000			
Lessee	Leased asset	Rental income recognised for the year 2024	Rental income recognised for the year 2023
Shanghai Bracco Sine Pharmaceutical Corp., Ltd.	Buildings	7,429.19	7,504.62
Shanghai Yingdalai Property Co., Ltd.	Buildings	4,520.25	4,410.00
Total		11,949.44	11,914.62

The Group as lessee:

RMB'000			
Lessor	Leased assets	Lease payable for the year 2024	Lease payable for the year 2023
Shanghai Pharma Group	Buildings	21,302.32	16,253.05
Shanghai Yingdalai Property Co., Ltd.	Buildings	12,885.16	16,557.89
Shanghai Indu-Land Property Co., Ltd.	Buildings	609.51	11,272.78
Total		34,796.99	44,083.72

Right-of-use assets added by the Group as lessee during the year:

RMB'000			
Lessor	Leased assets	2024	2023
Shanghai Yingdalai Property Co., Ltd.	Buildings	12,942.50	21,884.31
Shanghai Indu-Land Property Co., Ltd.	Buildings	1,170.94	-
Shanghai Pharma Group	Buildings	3,237.70	4,314.83
Total		17,351.14	26,199.14

Interest expense on lease liabilities assumed by the Group as lessee:

RMB'000			
Lessor	Leased assets	2024	2023
Shanghai Pharma Group	Buildings	961.95	1,534.98
Shanghai Yingdalai Property Co., Ltd.	Buildings	813.48	461.72
Total		1,775.43	1,996.70

Rental expense for short-term leases and low-value leases that are recognised directly in profit or loss by the Group as lessee:

RMB'000			
Lessor	Leased assets	For the year 2024	For the year 2023
Shanghai Yingdalai Property Co., Ltd.	Buildings	-	6,397.48
Shanghai Pharma Group	Buildings	1,615.98	2,625.00
Total		1,615.98	9,022.48

(3) Research and development expenses

RMB'000			
Services recipient	Pricing principles of related party transactions	2024	2023
Shanghai Huiyong Medicine Research Co., Ltd.	The amount incurred shall be determined through negotiation by both parties	3,773.58	5,330.19

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(VII) RELATED PARTIES AND RELATED PARTY TRANSACTIONS - continued

5. Related party transaction - continued

(4) Guarantee

The Group as guarantor

				RMB'000
Guaranteed party	Guarantee amount	Starting date	Ending date	Completed or not
Chongqing Pharmaceuticals Shanghai Medicine Sales Co., Ltd.	559.31	26 July 2023	26 January 2024	Yes
Chongqing Pharmaceuticals Shanghai Medicine Sales Co., Ltd.	1,788.67	26 July 2023	26 January 2024	Yes
Chongqing Pharmaceuticals Shanghai Medicine Sales Co., Ltd.	969.82	26 July 2023	26 January 2024	Yes
Chongqing Pharmaceuticals Shanghai Medicine Sales Co., Ltd.	1,574.98	26 July 2023	26 January 2024	Yes
Chongqing Pharmaceuticals Shanghai Medicine Sales Co., Ltd.	3,095.15	26 July 2023	26 January 2024	Yes
Chongqing Pharmaceuticals Shanghai Medicine Sales Co., Ltd.	234.64	26 July 2023	26 January 2024	Yes
Chongqing Pharmaceuticals Shanghai Medicine Sales Co., Ltd.	256.67	10 August 2023	10 February 2024	Yes
Chongqing Pharmaceuticals Shanghai Medicine Sales Co., Ltd.	2,314.34	10 August 2023	10 February 2024	Yes
Total	10,793.58			

(5) Assets sales

					RMB'000
	Related party transaction	Pricing policies	2024	2023	
Zhejiang Shangyao Jiuzhou Biopharmaceutical Co., Ltd.	Assets sales	By negotiation	-	13,000.00	

(6) Key management compensation

			RMB'000	
	2024	2023		
Salary, bonus and other compensation	17,061.56	46,708.13		
Stock options	-	929.57		
Total	17,061.56	47,637.70		

(7) Interest

Interest income

			RMB'000	
	2024	2023		
Shanghai Industrial Group Finance Co., Ltd.	12,887.70	12,678.83		

Interest expenses

			RMB'000	
	2024	2023		
Shanghai Industrial Group Finance Co., Ltd.	121,661.31	111,318.51		

(8) Expenses on derecognition of accounts receivable and receivables financing

			RMB'000	
	2024	2023		
Shanghai Industrial Group Finance Co., Ltd.	-	944.57		

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(VII) RELATED PARTIES AND RELATED PARTY TRANSACTIONS - continued

5. Related party transaction - continued

(9) Deposits and borrowings

		RMB'000	
		2024	2023
Changes in deposit balances	Shanghai Industrial Group Finance Co., Ltd.	605,002.16	246,359.01
Loan received from related party	Shanghai Industrial Group Finance Co., Ltd.	4,323,397.08	3,958,399.12
Loan repayment to related parties	Shanghai Industrial Group Finance Co., Ltd.	3,497,799.74	3,045,700.00
	SPH-BIOCAD(HK)Limited	61,468.81	47,652.28
	Total	3,559,268.55	3,093,352.28
Funds lent to related parties	Shanghai Shangyao Kangxinuo Biopharmaceutical Co., Ltd.	5,812.20	50,463.30
Funds recovered from related parties	Shanghai Shangyao Kangxinuo Biopharmaceutical Co., Ltd.	-	20,665.79
	Shanghai Huaren Pharmaceutical Co., Ltd.	58.56	651.49
	Total	58.56	21,317.28

(10) Discount of bank acceptances

		RMB'000	
		2024	2023
Discount amount	Shanghai Industrial Group Finance Co., Ltd.	-	102,007.07

(11) Bank acceptances issued

		RMB'000	
		2024	2023
Issued amount	Shanghai Industrial Group Finance Co., Ltd.	-	97,007.07

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(VII) RELATED PARTIES AND RELATED PARTY TRANSACTIONS - continued

6. Balance of receivables and payables of related parties

RMB'000

		31 December 2024		31 December 2023	
		Gross carrying amount	Bad debt allowance	Gross carrying amount	Bad debt allowance
Accounts receivable	Jiangxi Nanhua Medicines Co., Ltd. and its subsidiaries	946,768.37	(1,403.42)	805,755.95	(2,998.49)
	Shanghai Pharma Health Commerce Co., Ltd. and its subsidiaries	189,547.14	(578.95)	136,824.29	(1,509.43)
	Yunnan Baiyao Group Co., Ltd. and its subsidiaries	86,515.42	(461.95)	60,976.45	(369.28)
	Shanghai Leiyunshang Northern Area Medicine General Co., Ltd. and its subsidiaries	28,387.43	(620.48)	21,176.72	(661.47)
	Shanghai Hutchison Pharmaceutical Co., Ltd.	23,730.00	(54.58)	28,083.71	(115.73)
	Chongqing Pharmaceuticals Shanghai Medicine Sales Co., Ltd.	975.24	(0.29)	15,706.27	(2,296.22)
	Others	8,046.04	(1,766.15)	13,678.83	(1,646.08)
	Total	1,283,969.64	(4,885.82)	1,082,202.22	(9,596.70)
Other receivables	Shanghai Hutchison Pharmaceutical Co., Ltd. and its subsidiaries	50,750.17	(4.13)	194,138.14	-
	Sino-American Shanghai Squibb Pharmaceuticals Ltd.	42,455.40	(231.51)	43,101.33	(116.37)
	Shanghai Shangyao Kangxinuo Biopharmaceutical Co., Ltd.	35,818.51	(35,818.51)	30,006.31	(29,883.64)
	Shanghai Roche Pharmaceutical Co., Ltd.	26,818.70	(374.80)	19,965.85	(91.53)
	Others	20,717.80	(6,112.48)	24,853.15	(7,639.28)
	Total	176,560.58	(42,541.43)	312,064.78	(37,730.82)
Prepayments	Yunnan Baiyao Group Co., Ltd. and its subsidiaries	18,275.23	-	50,212.55	-
	Shanghai Huayu Saffron Planting Professional Cooperative	15,341.00	-	14,050.17	-
	Shanghai Hutchison Pharmaceutical Co., Ltd. and its subsidiaries	1,560.29	-	4,220.76	-
	Others	1,043.44	-	4,429.69	-
	Total	36,219.96	-	72,913.17	-

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(VII) RELATED PARTIES AND RELATED PARTY TRANSACTIONS - continued

6. Balance of receivables and payables of related parties - continued

		RMB'000	
		31 December 2024	31 December 2023
Accounts payable	Shanghai Roche Pharmaceutical Co., Ltd.	84,563.54	168,230.14
	Shanghai Hutchison Pharmaceutical Co., Ltd. and its subsidiaries	25,437.18	16,147.22
	Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.	17,591.29	34,085.45
	Sino-American Shanghai Squibb Pharmaceuticals Ltd.	33,939.52	26,630.19
	Yunnan Baiyao Group Co., Ltd. and its subsidiaries	9,543.28	14,871.42
	Wing Fat Printing Limited and its subsidiaries	20,691.52	18,410.67
	Shanghai Bracco Sine Pharmaceutical Corp., Ltd.	26,632.93	5,463.78
	Shanghai Shiyu Urban Construction Management Co., Ltd.	-	16,095.00
	Shanghai Pharma Health Commerce Co., Ltd. and its subsidiaries	25,972.56	25,685.16
	Shanghai Leiyunshang Northern Area Medicine General Co., Ltd. and its subsidiaries	13,341.87	14,884.78
	Others	14,592.06	39,054.06
	Total	272,305.75	379,557.87
Notes payable	Shanghai Roche Pharmaceutical Co., Ltd.	10,000.00	10,000.00
	Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.	10,529.64	26,583.63
	Yunnan Baiyao Group Co., Ltd. and its subsidiaries	-	8,178.28
	Total	20,529.64	44,761.91
Other payables	SPH-Biocad (HK)Limited	1,118,220.78	1,162,976.56
	Shanghai Pharma Group	6,100.25	8,097.54
	Shanghai Shangshi (Group) Co., Ltd.	161,240.00	98,240.00
	Others	17,186.18	17,162.29
	Total	1,302,747.21	1,286,476.39
Other non-current liabilities	Shanghai Biomedical Industry Equity Investment Fund Partnership (Limited Partnership)	72,662.37	38,161.97
Contract liabilities	Chongqing Quanzhidao Pharmaceutical Co., Ltd.	5,326.14	10,495.58
	Jiangxi Nanhua Medicines Co., Ltd. and its subsidiaries	290.35	2,699.39
	Zhejiang Shangyao Jiuzhou Biopharmaceutical Co., Ltd.	62.85	188.68
	Others	3,648.98	2,972.95
	Total	9,328.32	16,356.60
Lease liabilities	Shanghai Pharma Group	19,358.98	47,685.05
	Shanghai Yingdalai Property Co., Ltd.	22,662.30	18,703.15
	Total	42,021.28	66,388.20
Employee benefits payable	Key management personnel	31,641.26	28,396.00
Short-term and long-term borrowings	Shanghai Industrial Group Finance Co., Ltd.	4,087,487.62	3,261,890.28
Cash and bank balances	Shanghai Industrial Group Finance Co., Ltd.	4,771,045.77	4,166,043.61

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(VII) RELATED PARTIES AND RELATED PARTY TRANSACTIONS - continued

7. Interests and rights of directors

(1) Remuneration of directors and supervisors

The remuneration of each director and supervisor for the year 2024 is as follows:

Name	Remuneration for services rendered as a director or supervisor						Remuneration of other services rendered for the management of the Company or subsidiaries	Total
	Compensation	Salaries and allowances	Pension plan contributions	Bonus	Other allowances and benefits	Stock option		
Independent directors								
Gu Chaoyang	300	-	-	-	-	-	-	300
Huo Wenxun	300	-	-	-	-	-	-	300
Wang Zhong(iv)	300	-	-	-	-	-	-	300
Directors								
Yang Qiuhua(iv)	-	-	-	-	-	-	-	-
Zhang Wenxue(iv)	-	-	-	-	-	-	-	-
Yao Jiayong(iv)	-	-	-	-	-	-	-	-
Chen Fashu (iv)	-	-	-	-	-	-	-	-
Dong Ming(iv)	-	-	-	-	-	-	-	-
Shen Bo(i)	-	1,629	196	1,132	97	-	-	3,054
Li Yongzhong(i)	-	1,632	97	929	96	-	-	2,754

RMB'000

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(VII) RELATED PARTIES AND RELATED PARTY TRANSACTIONS - continued

7. Interests and rights of directors - continued

(1) Remuneration of directors and supervisors - continued

The remuneration of each director and supervisor for the year 2024 is as follows: - continued

Name	Remuneration for services rendered as a director or supervisor						Remuneration of other services rendered for the management of the Company or subsidiaries	Total
	Compensation	Salaries and allowances	Pension plan contributions	Bonus	Other allowances and benefits	Stock option		
Supervisors								
Xu Youli	-	-	-	-	-	-	-	-
Yu Weidong(iv)	-	-	-	-	-	-	-	-
Ma Jia(iv)	-	-	-	-	-	-	-	-
Total	900	3,261	293	2,061	193	-	-	6,708

RMB'000

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(VII) RELATED PARTIES AND RELATED PARTY TRANSACTIONS - continued

7. Interests and rights of directors - continued

(1) Remuneration of directors and supervisors - continued

The remuneration of each director and supervisor for the year 2023 is as follows:

Name	Remuneration for services rendered as a director or supervisor						Remuneration of other services rendered for the management of the Company or subsidiaries	Total
	Compensation	Salaries and allowances	Pension plan contributions	Bonus	Other allowances and benefits	Stock option		
Independent directors								
Gu Chaoyang	300	-	-	-	-	-	-	300
Huo Wenxun	300	-	-	-	-	-	-	300
Wang Zhong(iv)	150	-	-	-	-	-	-	150
Hong Liang(iii)	150	-	-	-	-	-	-	150
Cai Jiangnan(iii)	150	-	-	-	-	-	-	150
Directors								
Yang Qihua(iv)	-	-	-	-	-	-	-	-
Yao Jiayong(iv)	-	-	-	-	-	-	-	-
Chen Fashu(iv)	-	-	-	-	-	-	-	-
Dong Ming(iv)	-	-	-	-	-	-	-	-
Zhou Jun(iii)	-	-	-	-	-	-	-	-
Ge Dawei(iii)	-	-	-	-	-	-	-	-
Li An(iii)	-	-	-	-	-	-	-	-
Shen Bo(i)	-	1,249	184	4,110	96	161	-	5,800
Li Yongzhong(i)	-	1,249	92	4,590	97	161	-	6,189
Zuo Min(iii)	-	750	-	4,480	-	198	-	5,428

RMB'000

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(VII) RELATED PARTIES AND RELATED PARTY TRANSACTIONS - continued**7. Interests and rights of directors - continued****(1) Remuneration of directors and supervisors - continued**

The remuneration of each director and supervisor for the year 2023 is as follows: - continued

Name	Remuneration for services rendered as a director or supervisor						Remuneration of other services rendered for the management of the Company or subsidiaries	Total
	Compensation	Salaries and allowances	Pension plan contributions	Bonus	Other allowances and benefits	Stock option		
Supervisors								
Xu Youli	-	-	-	-	-	-	-	-
Yu Weidong(iv)	-	-	-	-	-	-	-	-
Ma Jia(iv)	-	-	-	-	-	-	-	-
Huan Jianchun(iii)	-	-	-	-	-	-	-	-
Xin Keng(iii)	-	-	-	-	-	-	-	-
Total	1,050	3,248	276	13,180	193	520	-	18,467

- (i) For 2024 and 2023, directors Li Yongzhong and Shen Bo, provided management services to the Company or subsidiaries. The Group did not make a clear distinction between the remunerations of the above persons as directors, supervisors or executives, and therefore such remunerations are consolidated and presented in the remuneration for services rendered as directors and supervisors.
- (ii) There was no waiver of directors' compensations for the year 2024 (2023: Nil).
- (iii) Directors Ge Dawei, Zuo Min, Li An, Cai Jiangnan, Hongliang, and supervisors Huan Jianchun, Xin Keng resigned on 29 June 2023. Director Zhou Jun resigned on 18 November 2023.
- (iv) Directors Wang Zhong, Yao Jiayong, Chen Fashu, Dong Ming, and supervisors Yu Weidong, Ma Jia were appointed on 29 June 2023. Director Yang Qiuhua was appointed on 19 March 2024. Director Zhang Wenxue was appointed on 28 June 2024. Director Yao Jiayong resigned on 19 March 2024. Director Chen Fashu resigned on 27 May 2024.

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(VII) RELATED PARTIES AND RELATED PARTY TRANSACTIONS - continued

7. Interests and rights of directors - continued

(2) Retirement benefits for directors

In 2024, in addition to the contribution plans disclosed above, no other retirement benefits in respect of the services rendered as directors or for other services (2023: Nil).

(3) Termination benefits of directors

There were no termination benefits for directors in 2024 (2023: Nil)

(4) Consideration paid to third parties for services received as directors

In 2024, no consideration was paid to the company in which the director served before becoming a director of the Company (2023: Nil).

(5) Loans, quasi-loans and other transactions for directors, legal persons controlled by directors and connected persons of directors

(i) In 2024, the Group has no loans, quasi-loans to directors, corporate bodies controlled by directors and connected persons of directors or other transactions in favour of such persons.

(ii) In 2024, no guarantees in respect of loans to directors, corporate bodies controlled by directors and connected persons of such directors were provided (2023: Nil).

(6) Material interests of directors in transactions, arrangements or contracts

In 2024, the Company did not enter into any material transactions, arrangements or contracts with other parties in relation to the business of the Group in which a director of the Company had, directly or indirectly, a material interest (2023: Nil).

8. Top five remunerations

The top five highest paid directors of the Group for the year 2024 include two directors (2023: three directors) whose remunerations are reflected in Note VII(7); the total remunerations of the other three directors (2023: two directors) are set out below:

	RMB'000	
	2024	2023
Basic salary, housing allowance and other allowances	5,812	3,491
Bonus	1,520	6,046
Share-based payments	-	120
Total	7,332	9,657

	Headcount	
	2024	2023
Salary range:		
HKD2,500,001 to HKD3,000,000	3	-
HKD5,000,001 to HKD5,500,000	-	2

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(VIII) CONTINGENCIES

The Group has no significant contingencies that need to be disclosed.

(IX) COMMITMENTS

1. Capital expenditure commitments

	31 December 2024	31 December 2023
Capital commitments that have been entered into but have not been recognised in the financial statements:		
- Commitment for acquisition and construction of long-term assets	1,407,163,546.97	1,466,816,647.79
- External investment commitment		
Including: Unrecognised commitments related to investments in joint ventures	995,036,566.00	-
Total	2,402,200,112.97	1,466,816,647.79

(X) EVENTS AFTER THE BALANCE SHEET DATE

Explanation of distribution of profits

According to the resolution of Board of Director dated 27 March 2025, the Board of Directors proposes to distribute cash dividends of RMB2.90 per 10 shares (inclusive of tax) to all shareholders. The aforesaid proposal is pending for approval at the shareholders' meeting.

(XI) RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

The Group's operating activities expose it to a variety of financial risks: market risk (primarily including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

1. Market risk

(1) Currency risk

The Group's major operating activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. The Group is exposed to foreign exchange risk arising from the recognised assets and liabilities, and future transactions denominated in foreign currencies, primarily with respect to US dollars and Hong Kong dollars. The Group continuously monitors the size of the Group's transactions, assets and liabilities denominated in foreign currencies to minimise exposure to foreign exchange risk.

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(XI) RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS - continued**1. Market risk - continued**

(1) Currency risk - continued

The financial assets and the financial liabilities denominated in foreign currencies, which are held by the Group, whose recording currencies are RMB, are expressed in RMB as at 31 December 2024 and 31 December 2023 as follows:

	31 December 2024		
	USD and HKD	Others	Total
Financial assets denominated in foreign currency-			
Cash and bank balances	143,571,074.48	21,443,904.22	165,014,978.70
Accounts receivable	12,906,529.24	1,571,366.15	14,477,895.39
Total	156,477,603.72	23,015,270.37	179,492,874.09
Financial liabilities denominated in foreign currency-			
Short-term borrowings	392,088,491.49	-	392,088,491.49
Accounts payable	66,035,381.37	1,848,129.61	67,883,510.98
Total	458,123,872.86	1,848,129.61	459,972,002.47

	31 December 2023		
	USD and HKD	Others	Total
Financial assets denominated in foreign currency-			
Cash and bank balances	115,628,916.03	20,203,991.14	135,832,907.17
Accounts receivable	116,757,541.49	2,023,255.05	118,780,796.54
Total	232,386,457.52	22,227,246.19	254,613,703.71
Financial liabilities denominated in foreign currency-			
Accounts payable	146,192,369.50	1,104,922.34	147,297,291.84

As at 31 December 2024, for various financial assets and liabilities denominated in USD and HKD in the Group, if the USD and HKD strengthens/weakens by 5% against the RMB while holding all other variables constant, the Group's profit before income tax for the year would have been higher/lower by approximately RMB15,082,313.46 (31 December 2023: lower/higher by approximately RMB4,309,704.40).

(2) Interest rate risk

The Group's interest rate risk mainly arises from interest-bearing debts, including short-term borrowings, borrowings due within one year and long-term bank borrowings. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. As at 31 December 2024, the Group's short-term, due within one year and long-term interest-bearing debts mainly include floating rate contracts, amounting to RMB2,433,142,823.33 (31 December 2023: RMB2,300,527,662.50).

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(XI) **RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS** - continued

1. Market risk - continued

(2) Interest rate risk - continued

Increases in interest rates will increase the cost of new interest-bearing debts and the interest expenses with respect to the Group's outstanding floating rate interest-bearing debts, and therefore could have a material adverse effect on the Group's financial performance. The Group makes adjustments timely with reference to the latest market conditions. For 2024 and 2023, the Group did not enter into any interest rate swap agreements.

As at 31 December 2024, if interest rates on the floating rate borrowings rise/fall by 10% while holding all other variables constant, the Group's profit before tax would decrease/increase by approximately RMB5,264,603.88 (31 December 2023: approximately RMB4,424,649.27).

(3) Other price risk

The Group's other price risk arises mainly from financial assets at fair value through profit or loss and investments in other equity instruments.

As at 31 December 2024, if the price of above financial assets rise/fall by 10% while holding all other variables constant, the Group's profit before tax would increase/decrease by approximately RMB172,466,813.12 (31 December 2023: approximately RMB219,537,186.78), other comprehensive income would increase/decrease by approximately RMB4,389,934.07 (31 December 2023: approximately RMB5,541,672.52).

2. Credit risk

The Group's credit risk mainly arises from bank deposits, notes receivables, accounts receivable, other receivables, financial guarantee contracts, receivables financing, long-term receivables, etc.

The Group expects that there is no significant credit risk associated with bank deposits and on hand since they are deposited at state-owned banks, finance company and other medium or large size listed banks with good reputation and high credit rating. Management does not expect that there will be any significant losses from non-performance by these counterparties.

The Group has policies to limit the credit exposure on notes receivables, accounts receivable, other receivables, receivables financing and long-term receivables, the Group sets relevant policies to control credit risk exposure. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

In addition, financial guarantees and loan commitments may pose risks due to the default of the counterparty. The Group has established strict application and approval requirements for financial guarantees and loan commitments, taking into account a comprehensive set of information including internal and external credit ratings. The Group continuously monitors the credit risk exposure, changes in the credit ratings of counterparties, and other relevant information to ensure that the overall credit risk remains within a controllable range.

As at 31 December 2024, the Group has no significant collateral or other credit enhancements held as a result of the debtor's mortgage (31 December 2023: Nil).

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(XI) RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS - continued

3. Liquidity risk

Each subsidiary within the Group is responsible for its own cash flow forecasts. On the basis of summarizing the cash flow forecasts of subsidiaries, the finance department of the headquarters continuously monitors short-term and long-term funding requirements at the Group level to ensure that adequate cash reserves and readily realisable marketable securities are maintained, and continuously monitors compliance with the borrowing agreements and obtains commitments from major financial institutions to provide sufficient standby funds to meet both short-term and long-term funding requirements.

As at the balance sheet date, the financial liabilities of the Group are presented below based on the undiscounted contractual cash flows by maturity date:

	31 December 2024				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings	38,064,098,967.71	-	-	-	38,064,098,967.71
Derivative financial liabilities	1,598,178.46	-	-	-	1,598,178.46
Notes payable	9,241,133,347.89	-	-	-	9,241,133,347.89
Accounts payable	50,241,787,131.40	-	-	-	50,241,787,131.40
Other payables	16,797,359,516.09	-	-	-	16,797,359,516.09
Long-term payables due within one year	1,288,321.02	-	-	-	1,288,321.02
Long-term borrowings due within one year	191,801,162.87	-	-	-	191,801,162.87
Lease liabilities due within one year	670,133,878.12	-	-	-	670,133,878.12
Other current liabilities	6,031,879,726.03	-	-	-	6,031,879,726.03
Other non-current liabilities	-	-	102,275,542.50	-	102,275,542.50
Long-term borrowings	-	4,869,501,210.88	2,094,373,000.00	1,367,459,904.69	8,331,334,115.57
Lease liabilities	-	443,598,073.17	658,468,886.97	505,164,142.31	1,607,231,102.45
Long-term payables	-	548,661.60	1,657,265.62	43,119,878.64	45,325,805.86
Borrowing interests	564,361,932.39	89,746,633.41	134,009,415.01	307,119,792.98	1,095,237,773.79
Total	121,805,442,161.98	5,403,394,579.06	2,990,784,110.10	2,222,863,718.62	132,422,484,569.76

	31 December 2023				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings	35,560,499,735.45	-	-	-	35,560,499,735.45
Derivative financial liabilities	2,316,492.78	-	-	-	2,316,492.78
Notes payable	6,717,443,536.29	-	-	-	6,717,443,536.29
Accounts payable	47,915,010,730.47	-	-	-	47,915,010,730.47
Other payables	17,949,353,893.39	-	-	-	17,949,353,893.39
Long-term payables due within one year	589,814.45	-	-	-	589,814.45
Long-term borrowings due within one year	2,366,216,452.37	-	-	-	2,366,216,452.37
Lease liabilities due within one year	683,188,144.48	-	-	-	683,188,144.48
Other current liabilities	6,051,321,311.48	-	-	-	6,051,321,311.48
Other non-current liabilities	-	-	53,714,908.75	-	53,714,908.75
Long-term borrowings	-	1,062,329,069.23	3,497,200,000.00	1,226,625,661.35	5,786,154,730.58
Lease liabilities	-	631,722,609.43	711,982,035.36	527,958,876.87	1,871,663,521.66
Long-term payables	-	487,479.40	1,472,495.55	39,271,157.58	41,231,132.53
Borrowing interests	658,786,765.81	61,260,972.34	108,734,243.06	232,852,153.04	1,061,634,134.25
Total	117,904,726,876.97	1,755,800,130.40	4,373,103,682.72	2,026,707,848.84	126,060,338,538.93

As at the balance sheet date, the Group's financial guarantees provided to external parties are analysed below based on the maximum amounts and the earliest periods in which the guarantees could be called:

	31 December 2024				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Guarantee	-	-	-	-	-

	31 December 2023				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Guarantee	10,793,577.63	-	-	-	10,793,577.63

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(XI) RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS - continued**3. Liquidity risk - continued**

Bank and other borrowings are analysed by repayment terms as follows:

	31 December 2024		31 December 2023	
	Bank borrowings	Other borrowings	Bank borrowings	Other borrowings
Within 1 year	38,255,900,130.58	6,031,879,726.03	37,926,716,187.82	6,051,321,311.48
1 to 2 years	4,869,501,210.88	-	1,062,329,069.23	-
2 to 5 years	2,094,373,000.00	-	3,497,200,000.00	-
Over 5 years	1,367,459,904.69	-	1,226,625,661.35	-
	46,587,234,246.15	6,031,879,726.03	43,712,870,918.40	6,051,321,311.48

(XII) FAIR VALUE DISCLOSURES

The level of fair value measurement results is determined by the lowest level of inputs that are significant to the fair value measurement as a whole:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

1. Assets and liabilities measured at fair value on a recurring basis

As at 31 December 2024, the financial assets measured at fair value on a recurring basis by the above three levels are analysed below:

	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial assets-				
Forward exchange contracts	-	5,421,503.02	-	5,421,503.02
Foreign exchange swap contracts	-	10,803,283.33	-	10,803,283.33
Held-for-trading financial assets	-	-	8,632,930,000.00	8,632,930,000.00
Receivables financing	-	-	1,965,669,770.02	1,965,669,770.02
Other non-current financial assets	4,455,830.81	-	1,720,212,300.42	1,724,668,131.23
Investments in other equity instruments	43,899,340.70	-	-	43,899,340.70
Total financial assets	48,355,171.51	16,224,786.35	12,318,812,070.44	12,383,392,028.30

As at 31 December 2024, the financial liabilities measured at fair value on a recurring basis by the above three levels are analysed below:

	Level 1	Level 2	Level 3	Total
Financial liabilities				
Derivative financial liabilities-				
Forward exchange contracts	-	1,598,178.46	-	1,598,178.46
Other non-current liabilities	-	-	102,275,542.50	102,275,542.50
Total financial liabilities	-	1,598,178.46	102,275,542.50	103,873,720.96

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(XII) FAIR VALUE DISCLOSURES - continued**1. Assets and liabilities measured at fair value on a recurring basis** - continued

As at 31 December 2023, the financial assets measured at fair value on a recurring basis by the above three levels are analysed below:

	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial assets-				
Forward exchange contracts	-	2,596,393.11	-	2,596,393.11
Held-for-trading financial assets	-	-	10,152,154,821.92	10,152,154,821.92
Receivables financing	-	-	2,320,106,012.96	2,320,106,012.96
Other non-current financial assets	318,512,451.78	-	1,876,859,415.97	2,195,371,867.75
Investments in other equity instruments	55,416,725.20	-	-	55,416,725.20
Total financial assets	373,929,176.98	2,596,393.11	14,349,120,250.85	14,725,645,820.94

As at 31 December 2023, the financial liabilities measured at fair value on a recurring basis by the above three levels are analysed below:

	Level 1	Level 2	Level 3	Total
Financial liabilities				
Derivative financial liabilities-				
Forward exchange contracts	-	2,316,492.78	-	2,316,492.78
Other non-current liabilities	-	-	53,714,908.75	53,714,908.75
Total financial liabilities	-	2,316,492.78	53,714,908.75	56,031,401.53

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(XII) FAIR VALUE DISCLOSURES - continued**1. Assets and liabilities measured at fair value on a recurring basis** - continued

The Group takes the date on which events causing the transfers between the levels take place as the timing specific for recognising the transfers. There was no transfer between Level 1 and Level 2 for the current year.

The fair value of financial instruments traded in an active market is determined at the quoted market price; and the fair value of those not traded in an active market is determined by the Group using valuation technique. The valuation models used mainly comprise discounted cash flow model and market comparable corporate model. The inputs of the valuation technique mainly include expected return, estimated discount rate, EV, EBIT, stock volatility and etc.

The changes in Level 3 assets and liabilities are as follows:

	31 December 2023	Increase	Decrease	Transfer into Level 3	Transfer out of Level 3	Gain or loss for the current period		31 December 2024	Changes in unrealised gains or losses included in profit or loss for the year 2024 with respect to assets still held as at 31 December 2024 - gains or losses on changes in fair value
						Gain or loss recognised in the current profit or loss	Gain or loss recognised in other comprehensive income		
Held-for-trading financial assets	10,152,154,821.92	21,800,000,000.00	(23,526,499,203.96)	-	-	207,274,382.04	-	8,632,930,000.00	32,930,000.00
Receivables financing	2,320,106,012.96	18,599,997,423.92	(18,900,580,714.67)	-	-	(53,852,952.19)	-	1,965,669,770.02	-
Other non-current financial assets	1,876,859,415.97	7,259,851.44	(499,703.67)	-	-	(163,407,263.32)	-	1,720,212,300.42	(163,130,440.01)
Other non-current liabilities	(53,714,908.75)	-	-	-	-	(48,560,633.75)	-	(102,275,542.50)	(48,560,633.75)
Total	14,295,405,342.10	40,407,257,275.36	(42,427,579,622.30)	-	-	(58,546,467.22)	-	12,216,536,527.94	(178,761,073.76)

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(XII) FAIR VALUE DISCLOSURES - continued

1. Assets and liabilities measured at fair value on a recurring basis - continued

Information about the Level 3 fair value measurement is as follows:

	Fair value as at 31 December 2024	Valuation technique	Inputs			
			Name	Scope	Relationship with fair value	Observable/Unobservable
Held-for-trading financial assets	8,632,930,000.00	Discounted cash flow	Expected return	2.20%-2.60%	Positive	Unobservable
Receivables financing	1,965,669,770.02	Discounted cash flow	Estimated discount rate	0.4000%-2.5000%	Negative	Unobservable
Other non-current financial assets	1,720,212,300.42	Market method	EV/EBIT, EV/S, etc.	0.26-9.53	Positive	Unobservable
Other non-current liabilities	102,275,542.50	Equity value distribution method	Stock volatility	33.24%-44.11%	Positive	Unobservable

	Fair value as at 31 December 2023	Valuation technique	Inputs			
			Name	Scope	Relationship with fair value	Observable/Unobservable
Held-for-trading financial assets	10,152,154,821.92	Discounted cash flow	Expected return	2.50%-3.45%	Positive	Unobservable
Receivables financing	2,320,106,012.96	Discounted cash flow	Estimated discount rate	2.4820%-2.9490%	Negative	Unobservable
Other non-current financial assets	1,876,859,415.97	Market method	EV/EBIT, EV/S, etc.	0.23-8.85	Positive	Unobservable
Other non-current liabilities	53,714,908.75	Equity value distribution method	Stock volatility	32.55%-42.74%	Positive	Unobservable

Information about the Level 2 fair value measurement is as follows:

	Fair value as at 31 December 2024	Valuation technique	Observable inputs	
			Name	Scope/weighted average
Assets				
Derivative financial assets-				
Forward exchange contracts	5,421,503.02	Market method	Exchange rate	AUDUSD: 0.6235-0.6894
Foreign exchange swap contracts	10,803,283.33	Market method	Exchange rate	USDCNY: 6.9841
Liabilities				
Derivative financial liabilities-				
Forward exchange contracts	1,598,178.46	Market method	Exchange rate	AUDNZD: 0.9071-0.9370

	Fair value as at 31 December 2023	Valuation technique	Observable inputs	
			Name	Scope/weighted average
Assets				
Derivative financial assets-				
Forward exchange contracts	2,596,393.11	Market method	Exchange rate	AUDUSD: 0.6384-0.6882
Liabilities				
Derivative financial liabilities-				
Forward exchange contracts	2,316,492.78	Market method	Exchange rate	AUDNZD: 0.8961-0.9225

2. Assets measured at fair value on a non-recurring basis

The Group's assets measured at fair value on a non-recurring basis are the assets of acquiree at the acquisition date under business combinations not involving enterprises under common control.

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(XII) FAIR VALUE DISCLOSURES - continued

3. Assets and liabilities not measured at fair value but for which the fair value is disclosed

Financial assets and liabilities not measured at fair value mainly include cash and bank balances, notes receivables, accounts receivable, other receivables, long-term receivables, short-term borrowings, notes payable, accounts payables, other payables, other current liabilities, long-term payables, long-term borrowings, long-term borrowings due within one year and long-term payables due within one year, etc.

As at 31 December 2024 and 31 December 2023, the carrying amount of long-term receivables and non-current borrowings is a reasonable approximation of their fair value. The fair value of long-term receivables, long-term payables and long-term borrowings is the present value of the contractually determined stream of future cash flows discounted at the rate of interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows on the same terms.

(XIII) CAPITAL MANAGEMENT

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

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

The Group's total capital is total owners' equity plus net debt. The Group is not subject to external mandatory capital requirements, and monitors capital on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total debt (as shown in the consolidated statement of financial position including short-term borrowings, non-current liabilities due within one year, other current liabilities, long-term borrowings, long-term payables and lease liabilities) less cash and cash equivalents.

As at 31 December 2024 and 31 December 2023, the Group's gearing ratios are as follows:

	31 December 2024 (%)	31 December 2023 (%)
Gearing ratio	21.40	23.51

(XIV) NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

1. Accounts receivable

	31 December 2024	31 December 2023
Accounts receivable	198,851,808.14	119,851,808.14
Less: Bad debt allowance	(119,902,482.49)	(119,851,808.14)
Total	78,949,325.65	-

NOTES TO THE FINANCIAL STATEMENTS
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(XIV) NOTES TO THE COMPANY'S FINANCIAL STATEMENTS - continued

1. Accounts receivable - continued

(1) The aging analysis of accounts receivable based on recording date is as follows:

	31 December 2024	31 December 2023
Within 1 year	79,000,000.00	-
Over 3 years	119,851,808.14	119,851,808.14
Total	198,851,808.14	119,851,808.14

(2) As at 31 December 2024, the top five accounts receivable based on the balance of the debtors are summarised and analysed as follows:

	Balance	Amount of bad debt allowance	% of total balance
Total top five accounts receivable	114,741,517.35	(35,792,191.70)	57.70

(3) As at 31 December 2024, accounts receivable for which bad debt allowance is made on an individual basis are analysed as follows:

	Gross carrying amount	Lifetime ECL rate (%)	Bad debt allowance	Reasons
Accounts receivable 1	11,546,794.10	100.00	(11,546,794.10)	Upon assessment, it is expected to be unrecoverable
Accounts receivable 2	10,013,149.47	100.00	(10,013,149.47)	Upon assessment, it is expected to be unrecoverable
Accounts receivable 3	8,634,602.83	100.00	(8,634,602.83)	Upon assessment, it is expected to be unrecoverable
Accounts receivable 4	5,546,970.95	100.00	(5,546,970.95)	Upon assessment, it is expected to be unrecoverable
Others	84,110,290.79	100.00	(84,110,290.79)	Upon assessment, it is expected to be unrecoverable
Total	119,851,808.14		(119,851,808.14)	

2. Other receivables

	31 December 2024	31 December 2023
Amounts due from subsidiaries	14,963,993,522.85	16,073,401,110.16
Guarantees (including deposits)	6,059,268.13	6,615,937.80
Dividends receivable	218,233,166.04	638,045,338.14
Interest receivable	83,245,232.24	78,641,299.19
Receivables from enterprises	553,877.00	326,851.00
Others	257,141,035.97	257,141,035.97
Gross carrying amount	15,529,226,102.23	17,054,171,572.26
Less: Bad debt allowance	(267,262,017.80)	(303,285,996.18)
Carrying amount	15,261,964,084.43	16,750,885,576.08

The Company has no funds pooled with other parties and classified as other receivables due to centralised fund management.

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(XIV) NOTES TO THE COMPANY'S FINANCIAL STATEMENTS - continued

2. Other receivables - continued

(1) The aging analysis of other receivables is as follows:

	31 December 2024	31 December 2023
Within 1 year	9,002,186,212.26	10,123,496,182.94
1 to 2 years	484,958,692.51	3,735,068,026.22
2 to 3 years	3,320,757,197.38	1,661,332,419.63
Over 3 years	2,721,324,000.08	1,534,274,943.47
Total	15,529,226,102.23	17,054,171,572.26

(2) Loss allowance and movements in gross carrying amount

The bad debt allowance for other receivables is analysed by category as follows:

	31 December 2024				31 December 2023			
	Gross carrying amount		Bad debt allowance		Gross carrying amount		Bad debt allowance	
	Amount	Proportion to total amount (%)	Amount	Proportion (%)	Amount	Proportion to total amount (%)	Amount	Proportion (%)
Bad debt allowance made on an individual basis (i)	257,141,035.97	1.66	(257,141,035.97)	100.00	257,141,035.97	1.51	(257,141,035.97)	100.00
Bad debt allowance made on a portfolio basis (ii)	15,272,085,066.26	98.34	(10,120,981.83)	0.07	16,797,030,536.29	98.49	(46,144,960.21)	0.27
Total	15,529,226,102.23	100.00	(267,262,017.80)	1.72	17,054,171,572.26	100.00	(303,285,996.18)	1.78

As at 31 December 2024 and 31 December 2023, the Company has no other receivables at stage 2. The other receivables at stage 1 and stage 3 are analysed as follows:

(i) As at 31 December 2024, other receivables for which bad debt allowance is made on an individual basis are analysed as follows:

	Gross carrying amount	Stage 3 - Lifetime ECL rate (%)	Bad debt allowance	Reasons
Other receivables 1	120,000,000.00	100.00	(120,000,000.00)	It is expected to be unrecoverable
Other receivables 2	33,375,018.03	100.00	(33,375,018.03)	It is expected to be unrecoverable
Other receivables 3	26,030,686.00	100.00	(26,030,686.00)	It is expected to be unrecoverable
Other receivables 4	22,000,000.00	100.00	(22,000,000.00)	It is expected to be unrecoverable
Others	55,735,331.94	100.00	(55,735,331.94)	It is expected to be unrecoverable
Total	257,141,035.97		(257,141,035.97)	

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(XIV) NOTES TO THE COMPANY'S FINANCIAL STATEMENTS - continued

2. Other receivables - continued

(2) Loss allowance and movements in gross carrying amount - continued

- (i) As at 31 December 2024, other receivables for which bad debt allowance is made on an individual basis are analysed as follows: - continued

As at 31 December 2023, other receivables for which bad debt allowance is made on an individual basis are analysed as follows:

	Gross carrying amount	Stage 3 - Lifetime ECL rate (%)	Bad debt allowance	Reasons
Other receivables 1	120,000,000.00	100.00	(120,000,000.00)	It is expected to be unrecoverable
Other receivables 2	33,375,018.03	100.00	(33,375,018.03)	It is expected to be unrecoverable
Other receivables 3	26,030,686.00	100.00	(26,030,686.00)	It is expected to be unrecoverable
Other receivables 4	22,000,000.00	100.00	(22,000,000.00)	It is expected to be unrecoverable
Others	55,735,331.94	100.00	(55,735,331.94)	It is expected to be unrecoverable
Total	257,141,035.97		(257,141,035.97)	

- (ii) As at 31 December 2024 and 31 December 2023, other receivables for which bad debt allowance is made on a portfolio basis are analysed as follows:

	31 December 2024			31 December 2023		
	Gross carrying amount	Loss allowance		Gross carrying amount	Loss allowance	
	Amount	Amount	Proportion (%)	Amount	Amount	Proportion (%)
Stage 1 - 12-month ECL (portfolio)						
Amounts due from subsidiaries	14,963,993,522.85	(9,598,615.42)	0.06	16,073,401,110.16	(44,054,799.44)	0.27
Guarantees (including deposits)	6,059,268.13	(124,373.60)	2.05	6,615,937.80	(144,551.39)	2.18
Receivables from enterprises	553,877.00	(355.28)	0.06	326,851.00	(10,555.47)	3.23
Dividends receivable	218,233,166.04	(344,240.08)	0.16	638,045,338.14	(1,722,722.41)	0.27
Interest receivable	83,245,232.24	(53,397.45)	0.06	78,641,299.19	(212,331.50)	0.27
Total	15,272,085,066.26	(10,120,981.83)		16,797,030,536.29	(46,144,960.21)	

3. Long-term equity investments

	31 December 2024	31 December 2023
Subsidiaries (1)	29,227,995,117.42	28,863,334,179.16
Associates (2)	2,224,101,542.46	2,315,574,445.65
Joint ventures (3)	25,428,136.44	30,352,617.35
Less: Provision for impairment of long-term equity investments	(185,895,633.03)	(160,467,496.59)
Total	31,291,629,163.29	31,048,793,745.57

The Company is not subject to significant restriction on realisation of long-term investments.

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

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(XIV) NOTES TO THE COMPANY'S FINANCIAL STATEMENTS - continued

3. Long-term equity investments - continued

(1) Subsidiaries

	31 December 2023	Changes for the year				31 December 2024	Impairment provision		Cash dividends declared
		Investment made in the current year	Decrease in investments	Impairment provision	Others		31 December 2024	31 December 2023	
SIIC Medical Science and Technology (Group) Limited	7,157,517,285.59	-	-	-	89,727.35	7,157,607,012.94	-	-	-
Shanghai Pharmaceuticals (HK) Investment Limited	5,259,152,017.93	62,332,917.14	-	-	-	5,321,484,935.07	-	-	-
Shanghai Pharma Co., Ltd.	4,785,074,017.47	-	-	-	64,974.98	4,785,138,992.45	-	-	896,490,000.00
Shanghai TCM Co., Ltd.	1,896,133,521.73	-	-	-	24,752.37	1,896,158,274.10	-	-	336,090,000.00
SPH Sine Pharmaceutical Factory Co., Ltd.	1,418,281,339.25	-	-	-	40,222.61	1,418,321,561.86	-	-	-
SPH New Asia Pharmaceutical Co., Ltd.	1,225,981,233.99	-	-	-	-	1,225,981,233.99	-	-	-
Shanghai SPH Biomedical Co., Ltd.	1,126,243,515.07	92,630,000.00	-	-	-	1,218,873,515.07	-	-	-
Liaoning Pharmaceutical Foreign Trading Co., Ltd.	597,322,888.99	-	-	-	-	597,322,888.99	-	-	65,883,237.80
Shanghai Zhongxi Sunve Pharmaceutical Co., Ltd.	513,379,100.43	-	-	-	40,222.61	513,419,323.04	-	-	531,644,895.33
Guangdong Techpool Biochemical Pharmaceutical Co., Ltd.	492,732,445.39	-	-	-	-	492,732,445.39	-	-	54,036,669.16
Shanghai Medical Instruments Co., Ltd.	406,446,400.48	-	-	-	-	406,446,400.48	-	-	15,300,000.00
Shanghai Pharmaceutical (USA) INC.	385,642,736.30	54,370,500.00	-	-	-	440,013,236.30	-	-	-
SPH (Benxi) North Pharmaceuticals Co., Ltd.	380,000,000.00	-	-	-	-	380,000,000.00	-	-	-
SPH No. 1 Biochemical & Pharmaceutical Co., Ltd.	326,066,971.62	35,800,000.00	-	-	-	361,866,971.62	-	-	-
Shanghai Biomedical Frontier Industry Innovation Center Co., Ltd.	312,599,154.06	-	-	-	-	312,599,154.06	-	-	-
Shanghai Jiaolian Pharmaceutical R&D Co., Ltd.	305,315,023.99	-	-	-	-	305,315,023.99	-	-	-
SPH Qingdao Guofeng Pharmaceutical Co., Ltd.	259,881,525.23	-	-	-	37,128.56	259,918,653.79	-	-	35,788,800.90
SPH Changzhou Pharmaceutical Co., Ltd.	207,456,710.09	-	-	-	-	207,456,710.09	-	-	47,904,932.98
Shanghai Industrial United Holdings Pharmaceutical Co., Ltd.	167,500,000.00	-	-	-	-	167,500,000.00	-	-	-
Shanghai Shangyao Innovation Pharmaceutical Technology Co., Ltd.	101,417,608.00	-	-	-	-	101,417,608.00	-	-	-
Shanghai Zhonghua Pharmaceutical Co., Ltd.	101,049,509.15	-	-	-	-	101,049,509.15	-	-	-
Shanghai Shangyao Ruier Pharmaceutical Co., Ltd.	100,511,914.00	-	-	-	-	100,511,914.00	-	-	-
Liaoning SPH Herbapex Pharmaceutical (Group) Co., Ltd.	85,847,130.00	-	-	-	-	85,847,130.00	-	-	-
Shanghai Pharmaceutical Group Institute of Traditional Chinese Medicine Co., Ltd.	46,200,000.00	10,800,000.00	-	-	-	57,000,000.00	-	-	-
Shanghai Pharmaceutical Group Industrial Marketing Management Co., Ltd.	10,800,000.00	8,470,000.00	-	-	-	19,270,000.00	-	-	-
SPH Biotherapeutics Limited	-	100,000,000.00	-	-	-	100,000,000.00	-	-	-
Others	1,194,782,130.40	-	-	-	(39,507.36)	1,194,742,623.04	-	-	450,517,993.51
Total	28,863,334,179.16	364,403,417.14	-	-	257,521.12	29,227,995,117.42	-	-	2,433,656,529.68

NOTES TO THE FINANCIAL STATEMENTS
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(XIV) NOTES TO THE COMPANY'S FINANCIAL STATEMENTS - continued

3. Long-term equity investments - continued

(2) Associates

	31 December 2023	Changes for the year								31 December 2024	Impairment provision	
		Additional investment	Decrease in investment	Net profit or loss adjusted using equity method	Adjustment to other comprehensive income	Other equity changes	Cash dividends or profit declared	Impairment provision	Others		31 December 2024	31 December 2023
Shanghai Industrial Group Finance Co., Ltd.	420,923,897.33	-	-	18,163,601.72	-	-	(9,733,715.58)	-	-	429,353,783.47	-	-
Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.	317,562,503.86	-	-	5,352,155.79	(29,994.05)	188,549.42	(12,562,070.40)	-	-	310,511,144.62	-	-
Shanghai Lianyi Investment Center (Limited Partnership)	303,063,205.93	-	-	(40,763,556.01)	-	-	(20,385,589.84)	-	-	241,914,060.08	-	-
Sino-American Shanghai Squibb Pharmaceuticals Ltd.	226,307,546.83	-	-	74,254,632.84	-	-	(87,450,977.00)	-	-	213,111,202.67	-	-
Chengdu Wesker Biomedical Co., Ltd.	126,343,241.21	-	-	(7,358,561.69)	-	-	-	-	-	118,984,679.52	-	-
Shanghai Ajinomoto Amino Acid Co., Ltd.	124,860,624.00	-	-	9,356,458.54	-	-	(5,411,142.47)	-	-	128,805,940.07	-	-
Hangzhou Huqing Yutang Pharmaceutical Co., Ltd.	109,970,779.19	-	-	6,118,247.78	-	-	(4,362,400.00)	-	-	111,726,626.97	-	-
Shanghai Good Health Capital LLP	107,315,367.78	-	-	(1,871,792.85)	-	-	(23,888,407.29)	-	-	81,555,167.64	-	-
Shanghai Shangshi Biomedical Innovation and Transformation Private Investment Fund LLP	105,362,538.02	-	-	4,496,033.77	-	-	-	-	-	109,858,571.79	-	-
West China Precision Medicine Industrial Innovation Center	97,852,653.02	-	-	(2,984,875.41)	-	-	-	-	-	94,867,777.61	-	-
Sichuan Greentech Bio-technology Co., Ltd.	62,953,025.79	-	-	3,355,255.39	-	-	-	-	-	66,308,281.18	-	-
Shanghai Chest Medical Instruments Co., Ltd.	51,102,557.77	-	-	3,947,927.78	-	-	-	-	-	55,050,485.55	-	-
Shanghai Pharma Health Commerce Co., Ltd.	48,185,999.07	-	-	(607,255.28)	-	5,518,919.47	-	-	-	53,097,663.26	-	-
Shanghai Biomedical Industry Equity Investment Fund Management Co., Ltd.	21,434,424.00	-	-	4,110,259.69	-	-	(6,229,362.82)	-	-	19,315,320.87	-	-
Shangshi Commercial Factoring Co., Ltd.	-	-	-	-	-	-	-	-	-	-	(154,799,830.72)	(154,799,830.72)
Others	31,868,585.26	-	-	(2,695,244.69)	-	-	-	-	-	29,173,340.57	(5,667,665.87)	(5,667,665.87)
Total	2,155,106,949.06	-	-	72,873,287.37	(29,994.05)	5,707,468.89	(170,023,665.40)	-	-	2,063,634,045.87	(160,467,496.59)	(160,467,496.59)

NOTES TO THE FINANCIAL STATEMENTS
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(XIV) NOTES TO THE COMPANY'S FINANCIAL STATEMENTS - continued

3. Long-term equity investments - continued

(3) Joint ventures

	31 December 2023	Changes for the year								31 December 2024	Impairment provision	
		Additional investment	Decrease in investment	Net profit or loss adjusted using equity method	Adjustment to other comprehensive income	Other equity changes	Cash dividends or profit declared	Impairment provision	Others		31 December 2024	31 December 2023
Zhejiang Shangyao Jiuzhou Biopharmaceutical Co., Ltd.	30,352,617.35	-	-	(4,924,480.91)	-	-	-	(25,428,136.44)	-	-	(25,428,136.44)	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024
(IN RMB, UNLESS OTHERWISE STATED)

(XIV) NOTES TO THE COMPANY'S FINANCIAL STATEMENTS - continued

4. Capital reserve

	31 December 2023	Increase in the current year	Decrease in the current year	31 December 2024
Share premium	32,404,631,759.09	115,667,542.76	-	32,520,299,301.85
Other capital reserve -				
Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method	225,763,258.19	5,707,468.89	-	231,470,727.08
Share-based payment	50,792,867.95	308,220.66	(33,943,377.16)	17,157,711.45
Others	(289,656,947.52)	-	-	(289,656,947.52)
Total	32,391,530,937.71	121,683,232.31	(33,943,377.16)	32,479,270,792.86

	31 December 2022	Increase in the current year	Decrease in the current year	31 December 2023
Share premium	32,269,977,480.72	134,654,278.37	-	32,404,631,759.09
Other capital reserve -				
Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method	215,133,594.85	10,629,663.34	-	225,763,258.19
Share-based payment	80,214,210.71	4,568,384.49	(33,989,727.25)	50,792,867.95
Others	(289,656,947.52)	-	-	(289,656,947.52)
Total	32,275,668,338.76	149,852,326.20	(33,989,727.25)	32,391,530,937.71

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024
(IN RMB, UNLESS OTHERWISE STATED)

(XIV) NOTES TO THE COMPANY'S FINANCIAL STATEMENTS - continued

5. Other comprehensive income

	Other comprehensive income in the balance sheet			Other comprehensive income in the Company's income statement for the year ended 31 December 2024			
	31 December 2023	Converted from other comprehensive income into retained earnings	31 December 2024	Amount before income tax	Less: Other comprehensive income transferred out for the year	Less: Income tax expenses	Net amount after tax
Other comprehensive income that will be reclassified to profit or loss							
Other comprehensive income that may be transferred to profit or loss under equity method	(390,780.10)	-	(420,774.15)	(29,994.05)	-	-	(29,994.05)

	Other comprehensive income in the balance sheet			Other comprehensive income in the Company's income statement for the year ended 31 December 2023			
	31 December 2022	Converted from other comprehensive income into retained earnings	31 December 2023	Amount before income tax	Less: Other comprehensive income transferred out for the year	Less: Income tax expenses	Net amount after tax
Other comprehensive income that will be reclassified to profit or loss							
Other comprehensive income that may be transferred to profit or loss under equity method	(302,235.46)	-	(390,780.10)	(88,544.64)	-	-	(88,544.64)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024
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(XIV) NOTES TO THE COMPANY'S FINANCIAL STATEMENTS - continued

6. Retained profits

	2024	2023
Retained profits at the beginning of the year	2,074,708,835.61	3,000,421,926.62
Add: Net profit of the Company	2,073,171,351.67	1,481,421,124.69
Less: Appropriation to statutory surplus reserve	-	(148,142,112.47)
Dividends distribution	(1,814,822,154.33)	(2,258,992,103.23)
Retained profits at the end of the year	2,333,058,032.95	2,074,708,835.61

7. Operating income and operating cost

	2024	2023
Income from main operating activities	-	-
Income from other operating activities (1)	249,622,461.53	225,245,410.70
Total	249,622,461.53	225,245,410.70

	2024	2023
Costs of main operating activities	-	-
Costs of other operating activities (1)	43,796,164.43	61,412,367.19
Total	43,796,164.43	61,412,367.19

(1) Income from other operating activities and costs of other operating activities

	2024		2023	
	Income from other operating activities	Costs of other operating activities	Income from other operating activities	Costs of other operating activities
Management service	153,272,836.63	-	163,654,016.22	-
Technology transfer and R&D services	96,349,624.90	43,796,164.43	61,591,394.48	61,412,367.19
	249,622,461.53	43,796,164.43	225,245,410.70	61,412,367.19

8. Investment income

	2024	2023
Income from long-term equity investments under cost method	2,433,656,529.68	1,710,711,907.77
Income from long-term equity investments under equity method	67,948,806.46	131,282,533.42
Interest income from intra-group loans	235,353,188.76	226,265,354.06
Investment loss on disposal of long-term equity investments	-	(1,892,299.04)
Others	50,993,277.50	26,029,974.00
	2,787,951,802.40	2,092,397,470.21

The Company is not subject to significant restriction on repatriation of investment income.

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024
(IN RMB, UNLESS OTHERWISE STATED)

(I) SUMMARY OF NON-RECURRING PROFIT OR LOSS

	2024
Gain or loss on disposal of non-current assets, including write-off of provision for impairment of assets	175,973,462.10
Government grants recognised in profit or loss, except for those government grants that are closely related to the Group's normal business operations, in conformity with national policies, in accordance with defined criteria, and that have a continuing effect on the Group's profit or loss	568,872,825.51
Gain or loss on changes in fair value of financial assets and financial liabilities held and gain or loss on disposal of financial assets and financial liabilities, except for effective hedging business related to the Group's normal business operations	1,266,380.69
Reversal of bad debts allowance for receivables on individual basis	32,577,650.75
Non-operating income and expenses other than the above	(120,706,402.43)
Sub-total	657,983,916.62
Effect of income tax expense	(123,184,350.38)
Effect on the minority interests, net of tax	(47,337,485.73)
Total	487,462,080.51

(1) Basis for preparation of summary of non-recurring profit or loss for 2024

CSRC promulgated Explanatory announcement No.1 (2023 Revised) on information disclosure by companies offering securities to the public - non-recurring profit or loss (Hereinafter referred to as Explanatory announcement No.1 (2023 Revised)), the provision shall come into force on the date of promulgation. The Group prepared the summary of non-recurring profit or loss for 2024 under the requirements in Explanatory announcement No.1 (2023 Revised).

Under the requirements in Explanatory announcement No.1 (2023 Revised) from CSRC, non-recurring profit or loss refer to those arises from transactions and events that are not directly relevant to ordinary activities, or that are relevant to ordinary activities, but are extraordinary and not expected to recur frequently that would have an influence on users of financial statements making economic decisions on the financial performance and profitability of an enterprise.

(II) RETURN ON NET ASSETS AND EARNINGS PER SHARE

	Weighted average return on net assets (%)		Earnings per share			
			Basic earnings per share		Diluted earnings per share	
	2024	2023	2024	2023	2024	2023
Net profit attributable to ordinary shareholders of the Company	6.50	5.56	1.23	1.02	1.23	1.02
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	5.81	5.30	1.10	0.97	1.10	0.97