OVERVIEW

We entered into certain transactions with our connected persons in the past. As these transactions will be continued after the Listing, the transactions shall constitute continuing connected transactions under the Listing Rules.

CONNECTED PERSONS

Immediately following the Introduction and the Privatization, our Company is held, directly and indirectly, as to approximately 44.34% of the total issued share capital by Shenzhen HEC Industrial, one of our Controlling Shareholders. Therefore, Shenzhen HEC Industrial and its associates are our connected persons pursuant to the Listing Rules.

SUMMARY OF CONTINUING CONNECTED TRANSACTIONS

Nature of Transactions	Applicable Listing Rules	Waiver Sought	Proposed Annual Caps (RMB Million) for the financial year ending December 31,		
			2025	2026	2027
Fully Exempted Continuing Connected Transaction					
Provision of guarantees to us by our Controlling Shareholders	Rule 14A.90	None	–	–	–
Partially Exempted Continuing Connected Transactions					
Accommodation, Catering and Other Services Framework Agreement . . .	Rules 14A.76(2) and 14A.105	Announcement requirement	40.0	40.0	40.0
Energy Purchase Framework Agreement	Rules 14A.76(2) and 14A.105	Announcement requirement	63.0	63.0	63.0
APIs and Intermediates Purchase Framework Agreement	Rules 14A.76(2) and 14A.105	Announcement requirement	158.6	158.6	158.6
Packaging and Production Materials Purchase Framework Agreement . . .	Rules 14A.76(2) and 14A.105	Announcement requirement	40.0	40.0	40.0

FULLY EXEMPTED CONTINUING CONNECTED TRANSACTION

1. Provision of guarantees to us by our Controlling Shareholders

Our Controlling Shareholders have provided guarantees in favor of us to secure loans from various commercial banks and financial institutions. As of April 30, 2025, our outstanding borrowings guaranteed by our Controlling Shareholders in aggregate amounted to RMB4,440.5 million. The relevant outstanding borrowings guaranteed by our Controlling Shareholders will expire between 2025 to 2033, with annual interest rates ranging from 2.33% to 8.5%. As the early release of guarantees provided by our Controlling Shareholders is not in the best commercial interest of our Group and the Shareholders as a whole, we do not intend to discharge such guarantees prior to Listing and the guarantees will continue to be in effect immediately after the Listing.

Upon the completion of the Listing, such provision of guarantees by our Controlling Shareholders will constitute financial assistance under Chapter 14A of the Listing Rules. However, as the financial assistance was provided for the benefit of our Group on normal commercial terms and no security over the assets of our Group was granted in respect of the financial assistance, it is exempt from reporting, announcement and independent shareholders' approval requirements by virtue of Rule 14A.90 of the Listing Rules.

PARTIALLY EXEMPTED CONTINUING CONNECTED TRANSACTIONS

As the highest applicable percentage ratio of the proposed annual caps under the Listing Rules is expected to be above 0.1% but below 5%, the following transactions are exempted from the independent shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules but are subject to the reporting, announcement and annual review requirements.

2. Accommodation, Catering and Other Services Framework Agreement

On June 24, 2025, our Company entered into a framework agreement with Shenzhen HEC Industrial, in relation to the provision of accommodation, catering and other services such as sewage treatment services to our Group by Shenzhen HEC Industrial Group ("**Accommodation, Catering and Other Services**"). Our Group and Shenzhen HEC Industrial or its subsidiaries will enter into specific services agreements in respect of each transaction pursuant to the terms of the Accommodation, Catering and Other Services Framework Agreement.

The principal terms of the Accommodation, Catering and Other Services Framework Agreement are as follows:

Date	June 24, 2025
Parties	Our Company (for ourselves and on behalf of our subsidiaries) Shenzhen HEC Industrial (for itself and on behalf of its subsidiaries)
Duration	From the Listing Date to December 31, 2027
Description of transaction	Shenzhen HEC Industrial will provide Accommodation, Catering and Other Services to our Group
Payment method	Our Company or our subsidiaries will pay the corresponding amount by telegraphic transfer to Shenzhen HEC Industrial or its subsidiaries within 90 days upon receipt of the invoice issued by Shenzhen HEC Industrial or its subsidiaries or by other methods agreed by both parties

Pricing policy

The fee for accommodation and catering services charged by Shenzhen HEC Industrial Group to our Group is determined with reference to the actual consumption volume and the price of settlement based on the unified external settlement price list published by the relevant hotel or restaurant with the most preferential discount, and are settled based on the actual consumption volume.

Fees for sewage treatment services is based on a "cost-plus" mechanism. In addition to the necessary costs and expenses incurred for the provision of sewage treatment services, Shenzhen HEC Industrial Group charges our Group an additional fee ranging from 10% to 15% of the necessary costs and expenses.

Annual caps and determination basis

To capitalize on market opportunities and enhance brand recognition for its core products, our Group has significantly increased the frequency of its market promotional events, academic conferences, and other marketing activities since 2023. Consequently, expenses related to accommodation, catering, and other services have risen proportionately for the years ended December 31, 2023 and 2024. As our Company continues to expand its business scale and product range, we anticipate hosting even more new market promotional events, academic conferences and other marketing activities in the future. Along with the existing market promotional events, academic conferences and other marketing activities which are recurring in nature, the aforementioned growth is expected to lead to a proportional increase in demand for Accommodation, Catering and Other Services provided by Shenzhen HEC Industrial Group for the three years ending December 31, 2027.

Our Group estimates that the annual caps under the Accommodation, Catering and Other Services Framework Agreement for each of the three years ending December 31, 2027 are RMB40.0 million, RMB40.0 million and RMB40.0 million, respectively.

In determining the proposed annual caps under the Accommodation, Catering and Other Services Framework Agreement, our Directors have taken into account a number of factors, including (1) historical transaction amounts, in particular, the transaction amount for Accommodation, Catering and Other Services provided to our Group by Shenzhen HEC Industrial Group for the year ended December 31, 2024 of RMB35.5 million, which represents 88.8% of the proposed annual caps for each of the years ending December 31, 2025, 2026 and 2027; (2) the expected increase in the number of market promotional events, academic promotion conferences and other marketing activities for core products; and (3) our Group's business development strategies.

As a significant portion of such marketing promotional events, academic conferences and other marketing activities are recurring in nature, our Company expects that the transaction amount for Accommodation, Catering and Other Services for the years ending December 31, 2025, 2026 and 2027 would remain at a sustained level similar to that of for the year ended December 31, 2024.

Historical transaction amounts

Fee paid or payable to Shenzhen HEC Industrial Group in respect of Accommodation, Catering and Other Services for each of the three years ended December 31, 2024:

	For the year ended December 31, 2022	**For the year ended December 31, 2023**	**For the year ended December 31, 2024**
	RMB million	*RMB million*	*RMB million*
Fee paid or payable by our Group to Shenzhen HEC Industrial Group for Accommodation, Catering and Other Services	7.9	20.0	35.5

Reasons for the transaction

Our Group had historically used venues operated by Shenzhen HEC Industrial Group for convening market promotional events, academic promotion activities and other marketing activities since our Group does not own such facilities. Furthermore, the venue is located at a relatively convenient location and close to our Group and the services and prices offered by Shenzhen HEC Industrial Group are in line with or better than those offered by Independent Third Parties. We have maintained long-term cooperation with Shenzhen HEC Industrial Group and our Directors considered that continuing renting such venues from Shenzhen HEC Industrial Group is beneficial for our Group's overall operation. Therefore, it is commercially desirable to continue to procure accommodation and catering services from Shenzhen HEC Industrial Group.

Further, our Group had also historically engaged Shenzhen HEC Industrial Group to provide sewage treatment services for our production facilities in Yidu. As our Group's production facility in Yidu is located within close proximity to Shenzhen HEC Industrial Group's sewage treatment facilities, and the sewage treatment services provided by Shenzhen HEC Industrial Group are in line with our Company's requirements and needs, it is commercially desirable for our Group to continue engaging Shenzhen HEC Industrial Group to provide such services.

3. Energy Purchase Framework Agreement

On June 24, 2025, our Company and Shenzhen HEC Industrial entered into a framework agreement in relation to supply of electricity and steam ("**Energy**") by Shenzhen HEC Industrial Group to our Group. Our Group and Shenzhen HEC Industrial or its subsidiaries will enter into specific purchase agreements in respect of each transaction pursuant to the terms of the Energy Purchase Framework Agreement.

The principal terms of the Energy Purchase Framework Agreement are as follows:

Date	June 24, 2025
Parties	Our Company (for ourselves and on behalf of our subsidiaries) Shenzhen HEC Industrial (for itself and on behalf of its subsidiaries)
Duration	From the Listing Date to December 31, 2027
Description of transaction	Our Company purchases Energy required for production from Shenzhen HEC Industrial

Payment method	Our Company or our subsidiaries will pay the corresponding amount by telegraphic transfer to Shenzhen HEC Industrial or its subsidiaries within 90 days upon receipt of the invoice issued by Shenzhen HEC Industrial or its subsidiaries or by other methods agreed by both parties

Pricing policy

Purchase price for Energy will be determined in accordance with (i) the reply letter from Yichang Price Bureau (宜昌市物價局) in relation to the electricity supply price in direct supply district by Yichang HEC Power Plant Co., Ltd.* (宜昌東陽光火力發電有限公司) ("**Yichang HEC Power Plant**"), a direct non-wholly owned subsidiary of Shenzhen HEC Industrial, from time to time; and (ii) the price for similar enterprises as stipulated in the price list for steam supply to enterprise from Yichang Price Bureau (宜昌市物價局) from time to time, whereas:

(a) the electricity supply price in accordance with the benchmark price of RMB0.4161 per kWh, which was approved by the Hubei Provincial Price Bureau (湖北省物價局) in the notice of reasonable adjustment of the electricity tariff structure pursuant to Hubei Provincial Price Bureau (E Jia Huan Zi [2017] No. 92) (鄂價環資[2017]92號文) and the letter from the Yidu Development and Reform Bureau (宜都市發展和改革局) in relation to the electricity supply price in direct supply district by Yichang HEC Power Plant, which stipulates that the power supply tariff in the direct supply zone shall not be lower than the benchmark on-grid tariff of Hubei Province for the same period and shall not be higher than 120% of the benchmark on-grid tariff of the Hubei Province for the same period; and

(b) the steam supply price is determined with the range of approximately RMB130 per ton to RMB260 per ton, which were the price charged by Yichang HEC Power Plant and HEC Biochemical Pharma, a subsidiary of Shenzhen HEC Industrial, to our Group historically.

Annual caps and determination basis

Our Group estimates that the annual caps under the Energy Purchase Framework Agreement for each of the three years ending December 31, 2027 are RMB63.0 million, RMB63.0 million and RMB63.0 million, respectively.

In determining the proposed annual caps under the Energy Purchase Framework Agreement, our Directors have taken into account a number of factors, including (1) the historical transaction amounts, in particular, the transaction amount for Energy procured by our Group from Shenzhen HEC Industrial Group for the year ended December 31, 2024 of RMB59.3 million, which represents 94.1% of the proposed annual caps for each of the years ending December 31, 2025, 2026 and 2027; (2) our Group's estimated production for the years ending December 31, 2025, 2026 and 2027; (3) the estimated production output of our insulin factory in Hubei Yidu for the years ending December 31, 2025, 2026 and 2027; and (4) our Group's business development.

Our purchase of Energy increased significantly since January 1, 2023 due to the commencement of production of our insulin factory in Hubei Yidu in 2023. As we expect the production volume of our insulin factory to remain at a stable level for the foreseeable future, it is expected that our demand for Energy would remain at a sustained level for the years ending December 31, 2025, 2026 and 2027.

Historical transaction amounts

The amounts paid or payable by our Group to Shenzhen HEC Industrial Group for the purchase of Energy for each of the three years ended December 31, 2024 are set out below:

	For the year ended December 31, 2022	**For the year ended December 31, 2023**	**For the year ended December 31, 2024**
	RMB million	*RMB million*	*RMB million*
Amounts paid or payable by our Group to Shenzhen HEC Industrial Group for purchase of Energy	42.8	51.3	59.3

Reasons for the transaction

Historically, our Group purchased Energy from Shenzhen HEC Industrial Group for the daily production of pharmaceutical preparations. Our Group does not own any boilers for steam generation, nor does it own any power plants to generate electricity. As the power plant of Shenzhen HEC Industrial Group is close to the production facilities of our Group, and the selling price of Energy from Shenzhen HEC Industrial Group is fair and reasonable, it is commercially desirable to continue to purchase Energy from them.

4. APIs and Intermediates Purchase Framework Agreement

On June 24, 2025, our Company and Shenzhen HEC Industrial entered into an agreement in relation to purchase by our Group of certain APIs and intermediates from Shenzhen HEC Industrial Group. Our Group and Shenzhen HEC Industrial or its subsidiaries will enter into specific purchase agreements in respect of each transaction pursuant to the terms of the APIs and Intermediates Purchase Framework Agreement.

The principal terms of the APIs and Intermediates Purchase Framework Agreement are as follows:

Date	June 24, 2025
Parties	Our Company (for ourselves and on behalf of our subsidiaries) Shenzhen HEC Industrial (for itself and on behalf of its subsidiaries)
Duration	From the Listing Date to December 31, 2027
Description of transaction	Our Group agreed to purchase certain APIs (including generic drugs such as Aripiprazole, Rivaroxaban, Escitalopram Oxalate, Clarithromycin and Azithromycin, and other APIs required for the research and development of drug candidate products) and intermediates (including Dong Jianshun crude product, Dongtongshen intermediate M5 and Dong Ningben intermediate) from Shenzhen HEC Industrial Group
Payment method	Our Company or our subsidiaries will pay the corresponding amount by telegraphic transfer to Shenzhen HEC Industrial or its subsidiaries within 90 days upon receipt of the invoice issued by Shenzhen HEC Industrial or its subsidiaries or by other methods agreed by both parties

Pricing policy

The operation planning executives will obtain quotation from Shenzhen HEC Industrial Group for each purchase and compare the quotations of similar products from at least two other Independent Third Party suppliers to confirm the market price of products before placing a purchase order(s) with Shenzhen HEC Industrial Group.

If there are no similar products in the market, the procurement fee payable by our Group to Shenzhen HEC Industrial Group is based on a "cost-plus" mechanism. In addition to the necessary costs and expenses incurred in the production of the APIs and intermediates, Shenzhen HEC Industrial Group charges our Group an additional fee within approximately 10%-20% of the procurement fee.

The price and terms provided by Shenzhen HEC Industrial Group are fair and reasonable, on normal commercial terms and not less favorable to those provided by Independent Third Parties to our Group. Our Directors believe that through the price and terms provided by Shenzhen HEC Industrial Group under the APIs and Intermediates Purchase Framework Agreement being similar to those provided by two other Independent Third Party suppliers, it can be ensured that the relevant price and terms will be on normal commercial terms, and will not prejudice the interests of our Company and our Shareholders as a whole.

Annual caps and determination basis

Our Group estimates that the annual caps under the APIs and Intermediates Purchase Framework Agreement for each of the three years ending December 31, 2027 are RMB158.6 million, RMB158.6 million and RMB158.6 million, respectively.

In determining the proposed annual caps under the APIs and Intermediates Purchase Framework Agreement, our Directors have taken into account a number of factors, including (1) the historical transaction amounts of APIs and intermediates used for the production of drugs and for the development of our various innovative drugs candidates in our pipeline, in particular, the transaction amount for APIs and intermediates procured by our Group from Shenzhen HEC Industrial Group for the year ended December 31, 2024 of RMB130.4 million, which represents 82.2% of the proposed annual caps for each of the years ending December 31, 2025, 2026 and 2027; (2) the transaction amount for APIs and intermediates procured by our Group for the three months ended March 31, 2025 of RMB21.04 million, which represents a 22.3% increase as compared to the historical transaction amount for the three months ended March 31, 2024 of RMB17.21 million; (3) our Group's estimated market demand for the years ending December 31, 2025, 2026 and 2027; (4) the expected increase in the demand for APIs and intermediates to be used for the various innovative drug candidates in our pipeline such as Olorigliflozin and Sofosbuvir; and (5) our Group's business development strategies.

For the year ended December 31, 2024, the transaction amount for purchase of APIs and intermediates by our Group from Shenzhen HEC Industrial Group amounted to RMB130.4 million, which represents 82.2% of the proposed annual caps for each of the years ending December 31, 2025, 2026 and 2027. In addition, the transaction amounts for APIs and intermediates procured by our Group for the three months ended March 31, 2025 was RMB21.04 million, which represents a 22.3% increase as compared to the historical transaction amount for the three months ended March 31, 2024 of RMB17.21 million.

Historical transaction amounts

The amounts paid or payable by our Group to Shenzhen HEC Industrial Group for the purchase of APIs and intermediates for each of the three years ended December 31, 2024 are set out below:

	For the year ended December 31, 2022	For the year ended December 31, 2023	For the year ended December 31, 2024
	RMB million	*RMB million*	*RMB million*
Amounts paid or payable by our Group to Shenzhen HEC Industrial Group for purchase of APIs and intermediates	96.3	93.2	130.4

Reasons for the transaction

Historically, our Group purchased certain APIs and intermediates from Shenzhen HEC Industrial Group for the production of drugs. Shenzhen HEC Industrial Group is one of the largest suppliers in the relevant APIs market. As such, our Group believes that the price and quality of the APIs and intermediates provided by the Shenzhen HEC Industrial Group satisfies our Group's quality requirements, and its price is no higher than those offered by other Independent Third Party suppliers. It is commercially desirable for us to continue to purchase APIs and intermediates from Shenzhen HEC Industrial Group due to the following reasons: (i) mutual trust has been established through previous cooperation and a good understanding of the needs of the production base of the major medical products of our Group; (ii) the price and terms offered by them are fair and reasonable and no less favorable than those offered by Independent Third Party suppliers to our Group; and (iii) their locations are adjacent to our Group, which are more convenient for the transportation of APIs and intermediates.

5. Packaging and Production Materials Purchase Framework Agreement

On June 24, 2025, our Company and Shenzhen HEC Industrial Group entered into an agreement in relation to purchase of specific packaging materials and production materials ("**Packaging Materials**") by our Group from Shenzhen HEC Industrial Group for packaging and production of the drugs manufactured by our Group. Our Group and Shenzhen HEC Industrial or its subsidiaries will enter into specific purchase agreements in respect of each transaction pursuant to the terms of the Packaging and Production Materials Purchase Framework Agreement.

The principal terms of the Packaging and Production Materials Purchase Framework Agreement are as follows:

Date	June 24, 2025
Parties	Our Company (for ourselves and on behalf of our subsidiaries) Shenzhen HEC Industrial (for itself and on behalf of its subsidiaries)
Duration	From the Listing Date to December 31, 2027
Description of transaction	Our Group agreed to purchase the Packaging Materials for packaging and production of the drugs manufactured by our Group from Shenzhen HEC Industrial Group
Payment method	Our Company or our subsidiaries will pay the corresponding amount by telegraphic transfer to Shenzhen HEC Industrial or its subsidiaries within 90 days upon receiving the Packaging Materials and passing the acceptance tests and receipt of the invoice issued by Shenzhen HEC Industrial or its subsidiaries or by other methods agreed by both parties

Pricing policy

The operation planning executives will obtain quotation from Shenzhen HEC Industrial Group for each purchase and compare the quotations of similar products from at least two other Independent Third Party suppliers to confirm the market price of products before placing a purchase order(s) with Shenzhen HEC Industrial Group.

The price and terms provided by Shenzhen HEC Industrial are fair and reasonable, on normal commercial terms and not less favorable to those provided by Independent Third Parties to our Group. Our Directors believe that through the price and terms provided by Shenzhen HEC Industrial under the Packaging and Production Materials Purchase Framework Agreement being similar to those provided by two other Independent Third Party suppliers, it can be ensured that the relevant price and terms will be on normal commercial terms, and will not prejudice the interests of our Company and our Shareholders as a whole.

Annual caps and determination basis

Our Group estimates that the annual caps under the Packaging and Production Materials Purchase Framework Agreement for each of the three years ending December 31, 2027 are RMB40.0 million, RMB40.0 million and RMB40.0 million, respectively.

In determining the proposed annual caps under the Packaging and Production Materials Purchase Framework Agreement, our Directors have taken into account a number of factors, including (1) the historical transaction amounts, in particular, the transaction amount for Packaging Materials procured by our Group from Shenzhen HEC Industrial Group for the year ended December 31, 2024 of RMB37.1 million, which represents 92.8% of the proposed annual caps for each of the years ending December 31, 2025, 2026 and 2027; (2) our Group's estimated demand for Packaging Materials for the years ending December 31, 2025, 2026 and 2027; and (3) the business development of our Group.

Given that (1) on one hand, our Group believes that Kewei (oseltamivir phosphate) will continue to have significant competitive advantages over competitor products in the Chinese anti-influenza drug market, and through leveraging on our brand recognition and production capacity, as well as continued promotion of the brand, our Group will remain in a leading market position in terms of sales in Kewei. Further, our Group also expects that the sales of our other existing innovative drugs and generic drugs will increase in the future; and (2) on the other hand, our Group expects that various innovative drugs and generic drugs in our pipeline will be gradually approved and ready for commercialization during the years ending December 31, 2025, 2026 and 2027, our Group expects that the demand for Packaging Materials over the coming years will remain stable.

For the year ended December 31, 2024, the transaction amount for Packaging Materials procured by our Group from Shenzhen HEC Industrial Group amounted to RMB37.1 million, which represents 92.8% of the proposed annual caps for each of the years ending December 31, 2025, 2026 and 2027.

As such, in preparing the proposed annual caps, our Company had assumed the sales of Kewei and our Group's other innovative and generic drugs for the years ending December 31, 2026 and 2027 would remain at a similar level as the projected sales of Kewei and our Group's other innovative and generic drugs for the year ending December 31, 2025. Further, our Company had only taken into account the various innovative drugs and generic drugs expected to be approved for the year ending December 31, 2025 (such approvals of which is expected to increase production and hence the demand for Packaging Materials for the years ending December 31, 2025, 2026 and 2027) in determining the proposed annual caps for the purchase of Packaging Materials as the details of the approval process for various innovative drugs and generic drugs to be approved for the years ending December 31, 2026 and 2027 have not completely materialized as at the Latest Practicable Date, notwithstanding the fact that our Company also expects various innovative drugs and generic drugs to be approved during the years ending December 31, 2026 and 2027. Thus our Company has decided to take a conservative approach in order to provide our Directors and/or Shareholders an opportunity to revisit the proposed annual caps for the years ending December 2026 and 2027 should the transaction amounts for Packaging Materials exceed the proposed annual caps in the future.

Historical transaction amounts

The amounts paid or payable by our Group to Shenzhen HEC Industrial Group for the purchase of Packaging Materials for each of the three years ended December 31, 2024 are set out below:

	For the year ended December 31, 2022	**For the year ended December 31, 2023**	**For the year ended December 31, 2024**
	RMB million	*RMB million*	*RMB million*
Amounts paid or payable by our Group to Shenzhen HEC Industrial Group for the purchase of Packaging Materials	29.8	44.1	37.1

The amounts paid to Shenzhen HEC Industrial Group for the purchase of Packaging Materials slightly decreased from RMB44.1 million for the year ended December 31, 2023 to RMB37.1 million for the year ended December 31, 2024, due to a decrease in the sales volume of Kewei (oseltamivir phosphate) as a result of a lower incidence of seasonal flu outbreaks in 2024.

Reasons for the transaction

Our Directors are of the view that it is commercially desirable for us to continue purchasing Packaging Materials from Shenzhen HEC Industrial Group for the following reasons: (i) historically, our Group purchased Packaging Materials from Shenzhen HEC Industrial Group for packaging of the drugs manufactured by our Group, and therefore they are familiar with our requirements for such materials; (ii) with better understanding of our Company's business and communication in a more effective and efficient manner, Shenzhen HEC Industrial Group is able to complete our Company's purchase orders more effectively; and (iii) the price and terms offered by Shenzhen HEC Industrial Group are fair and reasonable and not less favorable to those offered to our Group by Independent Third Party suppliers.

WAIVERS FROM THE STOCK EXCHANGE

As the major terms of the partially exempted continuing connected transactions have been disclosed in this Listing Document, and we expect the partially exempted continuing connected transactions disclosed above to continue and to be continued for an extended period of time, our Directors are of the view that strict compliance with the announcement requirement under the Listing Rules would not be practical and would constitute an onerous burden and result in unnecessary administrative cost to our Company. Therefore, pursuant to Rule 14A.105 of the Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules in respect of the transactions listed in the paragraph headed "— Partially Exempted Continuing Connected Transactions" in this section following the listing of our H Shares on the Stock Exchange. Our Directors confirm that we shall comply with the relevant requirements under Chapter 14A of Listing Rules upon Listing, apart from the announcement requirement pursuant to which waiver was sought under Rule 14A.105 of the Listing Rules.

CONFIRMATION OF DIRECTORS

Our Directors, including our independent non-executive Directors, are of the view that the partially exempted continuing connected transactions seeking exemption above have been and will be conducted in the ordinary and usual course of business of our Company. Our Directors further confirmed that the abovementioned fully exempted and partially exempted continuing connected transactions have been and will be conducted on normal commercial terms in a fair and reasonable way and in the interests of our Company and our Shareholders as a whole. All the above proposed annual caps for the relevant partially exempted continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

CONFIRMATION OF THE SOLE SPONSOR

Having reviewed the relevant information and historical data prepared and provided by our Company in relation to the partially exempted continuing connected transactions mentioned above and having exercised due diligence through discussion of those transactions with our Company, the Sole Sponsor is of the view that: (i) the partially exempted continuing connected transactions disclosed above have been and will be conducted in the ordinary and usual course of business of our Company on normal commercial terms, which are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and (ii) the above proposed annual caps for the relevant partially exempted continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

INTERNAL CONTROL MEASURES

Our Company has implemented or will implement the following internal control measures and corporate governance measures to closely monitor the connected transactions and to ensure compliance of the relevant requirements of the Listing Rules in future:

(1) our Company has formulated a series of internal control measures and policies to ensure that the continuing connected transactions will be carried out in accordance with the terms of each of the agreement of the continuing connected transactions and

the relevant pricing principles. The finance department of our Company will inform procurement department the amount of the proposed annual caps of the continuing connected transactions and monitor from time to time if such annual caps are to be exceeded;

(2) the business planning executives will be responsible for the pricing management and will guide various departments and units to establish the procedures and mechanism of professional price management, so as to ensure that the pricing standard is fair and reasonable, and conforms with the market principle;

(3) we will engage the external auditors to (and our independent non-executive Directors will also) conduct an annual review of the continuing connected transactions to ensure that the transactions contemplated thereunder are conducted in accordance with the requirements of the Listing Rules and comply with the relevant disclosure requirements;

(4) training will be organized regularly and compliance guidance and materials will be circulated on a regular basis to staff responsible for handling connected transactions so as to remind and refresh their knowledge and understanding on the requirements of the Listing Rules, especially the rules on connected transactions;

(5) the management of our Company will be provided with a list of the connected persons of our Company on a regular basis and updates thereto will be made semiannually;

(6) we will enhance the coordination and communication among various departments and subsidiaries of our Company responsible for reporting, monitoring and handling connected transactions, such as provision of regular trainings and sharing of information among operations department, finance department and procurement department;

(7) we will comply with applicable requirements under Chapter 14A of the Listing Rules in relation to continuing connected transactions and, pursuant to which, comply with the conditions set out in the waiver in respect of continuing connected transactions submitted to the Stock Exchange; and

(8) whenever renewal of or amendment to the framework agreements is being considered after the Listing, the Directors and Shareholders interested therein shall abstain from voting on the resolutions approving the relevant transactions at a Board meeting and a general meeting (as the case may be).

OVERVIEW

Our Board of Directors consists of thirteen Directors, including two executive Directors, six non-executive Directors and five independent non-executive Directors. The Board is responsible for and has general authority to manage and conduct our business.

Our Supervisory Committee consists of three Supervisors, including two shareholder representative Supervisors and one staff representative Supervisor. The shareholder representative Supervisors and the staff representative Supervisor are elected by the shareholders' meeting and the staff representative meeting respectively. The Supervisory Committee is responsible for supervising the Directors and senior management of our Company in the performance of their duties.

Our senior management team consists of seven members who are responsible for the day-to-day management and operations of our Company.

Directors

Brief information of our Directors is set out below:

Name	Age	Date of joining our Group	Date of appointment as Director	Current position	Roles and responsibilities
Dr. Zhang Yingjun (張英俊博士) . . .	47	April 2008	January 19, 2021	Chairman and executive Director	Responsible for long-term strategic planning and overall corporate operation of our Group, and R&D of drugs
Dr. Li Wenjia (李文佳博士) . . .	42	July 2006	January 19, 2021	Executive Director and general manager	Responsible for management of our Group and R&D of biologics
Mr. Zhang Yushuai (張寓帥先生) . . .	37	December 2023	December 5, 2023	Non-executive Director	Responsible for providing guidance for the overall development of our Group

Name	Age	Date of joining our Group	Date of appointment as Director	Current position	Roles and responsibilities
Mr. Tang Xinfa (唐新發先生) . . .	54	September 2005	November 25, 2010	Non-executive Director	Responsible for providing guidance for the overall development of our Group
Mr. Zhu Yingwei (朱英偉先生) . . .	54	August 2001	December 29, 2003	Non-executive Director	Responsible for providing guidance for the overall development of our Group
Mr. Zeng Xuebo (曾學波先生) . . .	40	December 2024	December 11, 2024	Non-executive Director	Responsible for providing guidance for the overall development of our Group
Ms. Dong Xiaowei (東曉維女士) . . .	46	July 2021	July 15, 2021	Non-executive Director	Responsible for providing guidance for the overall development of our Group
Ms. Wang Lei (王蕾女士).	54	December 2021	December 10, 2021	Non-executive Director	Responsible for providing guidance for the overall development of our Group
Dr. Li Xintian (李新天博士) . . .	60	September 2023	September 15, 2023	Independent non-executive Director	Responsible for providing independent opinions and judgment to safeguard the overall interests of our Company

Name	Age	Date of joining our Group	Date of appointment as Director	Current position	Roles and responsibilities
Dr. Ma Dawei (馬大為博士) . . .	61	September 2023	September 15, 2023	Independent non-executive Director	Responsible for providing independent opinions and judgment to safeguard the overall interests of our Company
Dr. Yin Hang Hubert (尹航博士)	48	September 2023	September 15, 2023	Independent non-executive Director	Responsible for providing independent opinions and judgment to safeguard the overall interests of our Company
Dr. Lin Aimei (林愛梅博士).	58	September 2023	September 15, 2023	Independent non-executive Director	Responsible for providing independent opinions and judgment to safeguard the overall interests of our Company
Dr. Ye Tao (葉濤博士)	61	December 2024 (effective upon Listing)	December 11, 2024	Independent non-executive Director	Responsible for providing independent opinions and judgment to safeguard the overall interests of our Company

Save that Mr. Tang Xinfa and Mr. Lin Taoxi are brothers in law, none of the Directors has any relationship with other Directors, Supervisors and senior management of our Group.

Executive Directors

Dr. Zhang Yingjun (張英俊博士), aged 47, is the Chairman of our Company and an executive Director and is primarily responsible for long-term strategic planning and overall corporate operation of our Group, and R&D of drugs. Dr. Zhang joined our Group in April 2008 and was elected as a Director of our Company at the general meeting of our Company on January 19, 2021. He was designated as an executive Director of our Company on May 10, 2024. Dr. Zhang is the chairman of our Strategic Committee and a member of our Nomination Committee and our Remuneration and Appraisal Committee. Dr. Zhang has also served as an executive director of Dongguan HEC Medicine since March 2019.

Dr. Zhang has over 16 years of experience in R&D of innovative drugs and business management. Dr. Zhang joined our Group in 2008, he is currently the chairman of the Board and the head of the drug research department of our Company, mainly responsible for R&D and development of drugs, long-term strategy, strategic planning and major decisions of our Group. Dr. Zhang has also served as the deputy director and a member of the academic committee of the State Key Laboratory for New Anti-Infective Drugs Development starting from April 2023. Prior to joining our Group, Dr. Zhang conducted post-doctoral research at Okayama University of Science in Japan from November 2007 to March 2008, focusing on the synthesis of complex molecules and the synthesis of organic light-emitting material compounds.

Dr. Zhang has received a number of accolades, including the "First Prize of the Guangdong Science and Technology Progress Award" (廣東省科技進步一等獎) awarded by People's Government of Guangdong Province in August 2024, the "Second Prize of the Beijing Science and Technology Award" (北京市科學技術獎二等獎) issued by the Beijing Municipal Government in October 2023, the "First Prize of the 2023 Innovation Dongguan Science and Technology Progress Award" (2023年創新東莞科技進步獎一等獎) awarded by the Dongguan High-tech Industrial Association, the title of "Top Ten Innovative Figures of Dongguan City" (東莞市十大創新人物) awarded by the Hi-Tech Industry Association in May 2018, the title of Guandong Special Support Program – Leading Talent in Scientific and Technological Innovation (廣東特支計劃 – 科技創新領軍人才) awarded by the Guangdong Provincial Science and Technology Department (廣東省科學技術廳) in April 2017, the title of Innovative Talent Promotion Program – Leading Talent in Science and Technology Innovation for Middle-Aged and Young Professionals (創新人才推進計劃中青年科技創新領軍人才) awarded by the Ministry of Science and Technology in March 2014, and the title of "Outstanding Science and Technology Personnel of Dongguan City" (東莞市科技優秀工作者) awarded by from Dongguan Science and Technology Association (東莞市科學技術協會) in February 2015.

Furthermore, Dr. Zhang has held multiple academic positions, including the vice chairman of Nanjing Innovation and Transformation of Biomedical Industry Center (南京生物醫藥產業創新轉化中心副理事長) in 2023, an executive director of Chinese Biomedical Industry Innovation and Transformation Alliance (中國生物醫藥產業鏈創新與轉化聯盟常務理事) in 2023, senior member of the Pharmaceutical Chemistry Committee of Guangdong Province (廣東省藥物化學委員會主任委員) in 2022, Deputy Chairman of the Second Committee of Drug Screening and Evaluation at the Guangdong Pharmacology Society (廣東

省藥理學會第二屆藥物篩選與評價專業委員會副主任委員) in 2021, committee member of the Medicinal Chemistry Professional Committee of the Chinese Pharmaceutical Association (中國藥學會藥物化學專業委員會委員) in 2020, youth editor for the journal "Progress in Pharmacy" (《藥學進展》) in 2019, and technical expert in patent examination for the China National Intellectual Property Administration in 2017. Dr. Zhang has also served as the person in charge of the National Major Scientific and Technological Special Project for "Significant New Drugs Development" ("重大新藥創制"科技重大專項) (Project no. 2013ZX09101003).

Dr. Zhang was recognized as a senior engineer in pharmaceuticals (associate senior) (製藥高級工程師(副高級)) by the Human Resources and Social Security Bureau of Shenzhen Municipality in July 2023.

Dr. Zhang obtained a bachelor's degree in chemistry from Hunan University in June 2001; a master's degree in organic chemistry from Hunan University in June 2004; and a doctorate degree in organic chemistry from Hunan University in December 2007.

Dr. Li Wenjia (李文佳博士), aged 42, is an executive Director and the general manager of our Company and is primarily responsible for management of our Group and R&D of biologics. Dr. Li joined our Group in July 2006 and was elected as a Director and general manager of our Company at the general meeting of our Company on January 19, 2021. She was designated as an executive Director on May 10, 2024. Dr. Li has also served as an executive director of Dongguan HEC Biopharmaceutical since March 2019.

Dr. Li has over 18 years of experience in R&D of biologics and management. Dr. Li joined our Group in July 2006 and has held various positions. She is currently the general manager of our Company and the deputy head of the drug research department of our Company, mainly responsible for R&D of biologics and management. Dr. Li also served as an executive director and manager of Guangdong HEC Biopharmaceutical from February 2017 to April 2020, primarily responsible for participating in the planning and formulation of our Company's long-term development strategies and development plans and overseeing their implementation.

Dr. Li was recognized as a senior engineer in pharmaceuticals (senior) (製藥正高級工程師(正高級)) by the Human Resources and Social Security Department of Guangdong Province in March 2019.

Dr. Li obtained a bachelor's degree in biotechnology from China Pharmaceutical University in July 2003; a master's degree in microbiology and biochemical pharmacy from China Pharmaceutical University in June 2006; and a doctoral degree in microbiology from the University of Chinese Academy of Sciences in January 2024.

Non-executive Directors

Mr. Zhang Yushuai (張寓帥先生), aged 37, is a non-executive Director of our Company. Mr. Zhang was elected as a Director at the general meeting of our Company on December 5, 2023 and was designated as a non-executive Director of our Company on May 10, 2024. Mr. Zhang is primarily responsible for providing guidance for the overall development of our Group.

Mr. Zhang has over 13 years of experience in corporate management and operations. Mr. Zhang has been serving as the chairman of the board of directors of Shenzhen HEC Industrial since August 2020, mainly responsible for corporate management and operation. He served as a director of Guangdong HEC Technology (whose shares are listed on the Shanghai Stock Exchange (Stock Code: 600673)) from January 2017 to April 2021 and has been serving as a director of Yichang HEC Medicine since June 2015. In addition, Mr. Zhang also worked for Dongguan HEC Research from July 2011 to May 2014, serving as the director of the Institute of Biology, the director of the Generic Pharmaceuticals Department and the deputy director of the Research Institute, and was mainly responsible for their management and operations of the business.

Mr. Zhang obtained a bachelor's degree in law through distance learning from Wuhan University in March 2012.

Mr. Tang Xinfa (唐新發先生), aged 54, is a non-executive Director of our Company. Mr. Tang joined our Group in September 2005. He was elected as a Director at the general meeting of our Company on November 25, 2010 and was designated as a non-executive Director on May 10, 2024. Mr. Tang is a member of our Audit Committee. Mr. Tang has also been the chairman of Dongguan HEC Medical since January 2017 and the chairman and non-executive director of HEC CJ Pharm since May 2015. Mr. Tang is primarily responsible for providing guidance on the overall development of our Group.

Mr. Tang has approximately 22 years of experience in corporate operations management. Mr. Tang has held management positions in a number of companies and is primarily responsible for corporate management and decision-making, including as an executive director and manager of Guangzhou Yangzhiguang Trading Co., Ltd.* (廣州陽之光貿易有限公司) since January 2022; and an executive director of Ruyuan Yao Autonomous County Taidong Pharmaceutical Co., Ltd.* (乳源瑤族自治縣泰東藥業有限公司), an executive director and manager of Yidu Tang Junyi Health Industry Development Co., Ltd.* (宜都唐俊義健康產業發展有限公司) and Yidu Tang Juntao Pharmaceutical Technology Co., Ltd.* (宜都唐俊濤醫藥科技有限公司) since September 2019. Mr. Tang has also been a director and manager of Dongguan HEC Gaoneng Medical Equipment Co., Ltd.* (東莞東陽光高能醫療設備有限公司) since August 2018 and an executive director and general manager of Linzhi HEC Pharmaceutical Research since December 2016. Mr. Tang has also been a director and general manager of Shenzhen HEC Industrial since November 2015; the chairman of Dongguan HEC Industrial Development Co., Ltd.* (東莞市東陽光實業發展有限公司) since June 2015; and an executive director and manager of Yichang HEC Research since December 2014. Mr. Tang has been a director of Yichang HEC Medicine since December 2010; an executive director and manager of Dongguan HEC Research since September 2010; a director of Guangdong Southern China Advanced Pharmaceutical Co., Ltd.* (廣東華南新藥創製有限公司) since September 2008; the director of the Institute of Research of our Company from September 2005 to September 2010; and the director of the office of Shenzhen HEC Industrial from September 2002 to September 2005.

Mr. Tang obtained a master's degree in Literary Studies from the Department of Chinese of Xiamen University in September 2002.

Mr. Zhu Yingwei (朱英偉先生), aged 54, is a non-executive Director of our Company. Mr. Zhu joined our Group in August 2001. He was appointed as a Director at the general meeting of our Company on December 29, 2003 and was designated as a non-executive Director on May 10, 2024. Mr. Zhu is primarily responsible for providing guidance on the overall development of our Group.

Mr. Zhu has approximately 27 years of experience in business operations and management. Mr. Zhu has held various management positions in a number of companies and is primarily responsible for corporate management and decision-making, including as executive director and manager of Dongyang HEC Industrial Development Co., Ltd.* (東陽市東陽光實業發展有限公司) since January 2021; the director and general manager of Yichang HEC Medicine since December 2010; non-executive director of HEC CJ Pharm from August 2001 to May 2017 and Chairman of our Company from December 2009 to January 2021. Mr. Zhu also has been serving as the general manager of Yidu HEC Industrial since February 2004 and was a director thereof; the deputy general manager of Shenzhen HEC Industrial from September 1997 to January 2021 and a director thereof from November 2020 to date.

Mr. Zhu was the executive director of the Pharmaceutical Profession Association of Hubei Province from April 2012 to April 2015 and has been serving as the vice president of the Yichang Foreign Investment Association since December 2007. Mr. Zhu was recognized as a senior engineer in pharmaceutical engineering by the Professional Title Reformation Office of Hubei in July 2009. In April 2019, he was recognized as a senior economist by the Professional Title Reform Steering Group (湖北省職稱改革工作領導小組).

Mr. Zhu graduated from Jilin University in July 1993 with a bachelor's degree in electronic materials and components.

Mr. Zeng Xuebo (曾學波先生), aged 40, is a non-executive Director of our Company. Mr. Zeng joined our Group in December 11, 2024. He was appointed as a non-executive Director at the general meeting of our Company on December 11, 2024. Mr. Zeng is primarily responsible for providing guidance on the overall development of our Group.

Mr. Zeng has worked at Hexie Zhuorui (Zhuhai) Investment Management Co., Ltd.* (和諧卓睿(珠海)投資管理有限公司) as vice president and managing director since November 2020. From August 2016 to October 2020, Mr. Zeng worked at Iqi Venture Capital Management (Shenzhen) Co., Ltd.* (愛奇創業投資管理(深圳)有限公司) where he held position as general director and vice president. Previously, Mr. Zeng has been the deputy investment director of Shenzhen TopoScend Capital Co., Ltd.* (深圳市投控東海投資有限公司), and a deputy investment director of Shenzhen Zhongyi Yingtai Venture Capital Co., Ltd.* (深圳中逸盈泰創業投資有限公司).

Mr. Zeng has served as a non-executive director of Sichuan Kelun-Biotech Biopharmaceutical Co., Ltd.* (四川科倫博泰生物醫藥股份有限公司) since July 2022, the shares of which are listed on the Stock Exchange (stock code: 06990), and is mainly engaged in the R&D, manufacturing and commercialization of novel drugs in oncology, immunology and other therapeutic areas. Mr. Zeng has served as a director of Shanghai Model Organisms Center, Inc.* (上海南方模式生物科技股份有限公司) since September 2022, the shares of which are listed on the Shanghai Stock Exchange (stock code: 688265), and is mainly engaged in transgenic animal model and related technology services. Mr. Zeng has also served as an independent director of CASI Pharmaceuticals, Inc. since March 2023, the shares of which are listed on Nasdaq (stock code: CASI), and is mainly engaged in developing and commercializing innovative therapeutics and pharmaceutical products.

Mr. Zeng obtained a bachelor's degree in pharmacy from Qinghai Nationalities University in July 2009.

Ms. Dong Xiaowei (東曉維女士), aged 46, is a non-executive Director of our Company. Ms. Dong joined our Group in July 2021. She was appointed as a Director at the general meeting of our Company on July 15, 2021 and was designated as a non-executive Director on May 10, 2024. Ms. Dong is primarily responsible for providing guidance on the overall development of our Group.

Ms. Dong has served as finance personnel in various companies and is mainly responsible for financial capital operation and coordination, including serving as a finance manager in Dongguan Biotechnology Industry Development Co. Ltd.* (東莞市生物技術產業發展有限公司) since April 2016 and as an executive director since April 2021 to date.

Ms. Dong obtained a bachelor's degree in accounting from Liaoning Petrochemical University in November 2003.

Ms. Wang Lei (王蕾女士), aged 54, is a non-executive Director of our Company. Ms. Wang joined our Group in December 2021. She was appointed as a Director at the general meeting of our Company on December 10, 2021 and was designated as a non-executive Director on May 10, 2024. Ms. Wang is primarily responsible for providing guidance on the overall development of our Group.

Ms. Wang has over 25 years of experience in financial accounting. Since March 2010, Ms. Wang has worked at China Cinda Asset Management Co., Ltd., Shenzhen branch* (中國信達資產管理股份有限公司深圳分公司) ("**Cinda Shenzhen**") and held several positions. Her current positions include head of business division II and senior manager. From October 1999 to March 2010, Ms. Wang worked in the Shenzhen office of China Cinda Asset Management Co., Ltd. and held several positions, her last position was senior vice manager of the treasury and finance department, mainly responsible for financial work.

Ms. Wang obtained an associate degree in financial accounting from Shenzhen University in June 1991, and graduated from Huazhong University of Science and Technology in June 2004 majoring in financial accounting.

On December 28, 2023, Ms. Wang, as the head of business division III of Cinda Shenzhen, was subject to an administrative penalty decision (the "**Decision**") by the National Financial Regulatory Administration (國家金融監督管理總局). The decision included a "warning" and a fine of RMB50,000 due to the breach of provision under the Interim Measures on Working Capital Loans Administration (《流動資金貸款管理暫行辦法》) (the "**Interim Measures**") and the Banking Supervision Law (銀行業監督管理法) relating to the provision of working capital loans for equity capital increase (the "**Incident**").

According to the Decision, Ms. Wang was in breach of Articles 6 and 9 of the Interim Measures, and Article 21 of the Banking Supervision Law. Article 6 of the Interim Measures stipulates that lenders shall reasonably measure the borrower's working capital needs, prudently determine the total amount of the borrower's working capital credit and the amount of specific loans, and shall not issue working capital loans in excess of the borrower's actual needs. Article 9 of the Interim Measures stipulates, among others, that working capital loans shall not be used for investment in fixed assets, equity and other investments, shall not be misappropriated, and lenders shall check and supervise the use of working capital loans in accordance with the contract. Article 21 of the Banking Supervision Law stipulates that banking institutions shall observe prudential rules and regulations.

The Incident involves a violation where Cinda Shenzhen provided working capital loans intended for equity capital increase purposes. According to the Decision, during the period from December 2017 to August 2018, Cinda Shenzhen sanctioned a trust loan amounting to RMB2.315 billion to a company (the "**Borrower Company**"), and the source of funds for subsidiary equity capital increase by the Borrower Company was actually the trust loan provided by Cinda Shenzhen. Using such funds for subsidiary equity capital increase contravened the requirements under the Interim Measures. Such contravention stemmed from a discrepancy between Cinda Shenzhen's understanding of the requirements of the regulations and the regulator's expectations. As Ms. Wang held the position of head of business division III at Cinda Shenzhen at that time, she was held accountable for the breach.

Notwithstanding the Incident as disclosed above, our Directors are of the view, and the Sole Sponsor concurs that, the Incident does not affect the character, experience and integrity of Ms. Wang to act as a director of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules after taking into account the following:

(a) According to item (2) of Article 48 of the Banking Supervision Law of the PRC, if the offences of the banking financial institution constitute no crime, the direct liable directors, senior managerial personnel and other direct liable persons shall be given a warning, and be imposed on a fine of RMB50,000 up to RMB500,000. Therefore, in this Incident, the imposed fines on Ms. Wang were for a minimum amount for such illegal act;

(b) As advised by our PRC Legal Advisor, this administrative penalty does not disqualify Ms. Wang from being a director or senior officer of any PRC company under the PRC Company Law;

(c) Ms. Wang confirmed that she did not receive any personal benefits from the Incident and there is no evidence to suggest that the Incident involved any dishonesty, fraud or compromised integrity by Ms. Wang which would affect her suitability to be a non-executive Director;

(d) the administrative penalty was imposed on Ms. Wang due to her position as the head of business division III at Cinda Shenzhen. It stemmed from a discrepancy between Cinda Shenzhen's understanding of the requirements of the regulations and the regulator's expectations, rather than indicating direct involvement in any intentional misconduct or dishonesty on the part of Ms. Wang;

(e) Ms. Wang has over 25 years of experience in financial accounting. The appointment of Ms. Wang as one of our non-executive Directors enables Ms. Wang to offer her distinctive professionalism to our Group in relation to our strategic development. As such, her appointment is beneficial to the long-term development of our Group; and

(f) Ms. Wang joined training sessions on directors' duties and corporate governance of Hong Kong listed companies, so as to keep abreast of the laws and regulations applicable to Hong Kong listed companies and their directors.

Independent Non-executive Directors

Dr. Li Xintian (李新天博士), aged 60, is an independent non-executive Director of our Company, and is primarily responsible for providing independent advice and judgment to our Board so as to protect the overall interests of our Company. Dr. Li was appointed as a Director in a general meeting of our Company on September 15, 2023, and was designated as an independent non-executive Director on May 10, 2024. Dr. Li is a member of our Audit Committee, Remuneration and Appraisal Committee and Nomination Committee.

Dr. Li has over 30 years of experience in legal research in civil and commercial matters. Dr. Li had been working as a part-time lawyer of Beijing Jintai (Wuhan) Law Office* (北京金台(武漢)律師事務所) since November 2003 and the part-time vice chairman of the Labor Union of Wuhan University from March 2012 to June 2015. Dr. Li has also been teaching the Civil and Commercial Law Teaching and Research Section of Wuhan University Law School since September 1992. He is currently a professor and doctoral supervisor in the field of civil and commercial law. He worked in the Discipline Inspection Committee of Wuhan University from July 1989 to September 1992.

Since May 2018, Dr. Li has served as an independent non-executive director of iDreamSky Technology Holdings Limited (創夢天地科技控股有限公司), the shares of which are listed on the Stock Exchange (stock code: 01119), principally engaged in digital entertainment platform services for mobile game distribution market.

Dr. Li has been accredited as a professor by Wuhan University since October 2005.

Dr. Li obtained a bachelor's degree in law from Wuhan University in July 1989, completed a master's program in economic law from Wuhan University in August 1997, and obtained a doctorate degree in international jurisprudence from Wuhan University in June 2002.

Dr. Ma Dawei (馬大為博士), aged 61, is an independent non-executive Director of our Company, and is primarily responsible for providing independent advice and judgment to our Board so as to protect the overall interests of our Company. Dr. Ma was appointed as a Director in a general meeting of our Company on September 15, 2023, and was designated as an independent non-executive Director on May 10, 2024.

Dr. Ma has over 30 years of experience in biochemical research. Dr. Ma has been serving as an assistant researcher, a researcher and a doctoral tutor at the Shanghai Institute of Organic Chemistry, Chinese Academy of Sciences, and the director of the State Key Laboratory of Bioorganic Chemistry since July 1989, mainly engaged in scientific research guidance.

Dr. Ma has been and is currently on the editorial boards of a number of international journals, including:

– Natural Product Reports, serving as advisory board member.

– Advanced Synthesis & Catalysis, serving as academic advisory board member.

– Tetrahedron/Tetrahedron Letters, serving as advisory board member.

Dr. Ma has been serving as an independent director of Shanghai Medicilon Inc.* (上海美迪西生物醫藥股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 688202) since November 2021.

Dr. Ma obtained a number of honors, including the Material Science Award of the 3rd Future Science Award (第三屆未來科學大獎物質科學獎) (on September 8, 2018), the National Outstanding Scientist (全國優秀科技工作者) (on December 7, 2010), the 2007 WuXi Biosciences Biosciences Research Award (first prize) (藥明康德生命化學研究獎一等獎), etc.

Dr. Ma received his master of science degree from the Shanghai Institute of Organic Chemistry (上海有機化學研究所) in December 1986, and his doctoral degree in chemistry from Shanghai Institute of Organic Chemistry, Chinese Academy of Sciences in May 1989.

Dr. Yin Hang Hubert (尹航博士), aged 48, is an independent non-executive Director of our Company, and is primarily responsible for providing independent advice and judgment to our Board in order to protect the overall interests of our Company. Dr. Yin was appointed as a Director in the general meeting of our Company on September 15, 2023, and was designated as an independent non-executive Director on May 10, 2024. Dr. Yin is the chairman of our Nomination Committee and a member of our Strategic Committee.

Dr. Yin has over 20 years of experience in pharmaceutical research. Dr. Yin has been working at the School of Pharmacy at Tsinghua University since June 2018. He currently serves as a professor at the School of Pharmacy, a member of the Academic Committee of Tsinghua University, and a member of the Science and Technology Ethics Committee of Tsinghua University, and is mainly responsible for scientific research guidance. From August 2007 to June 2018, Dr. Yin served as a tenured associate professor in the Department of Chemistry and Biochemistry of the University of Colorado in the United States, mainly engaged in scientific research.

Dr. Yin is also currently a consultant of the Professional Committee on Extracellular Vesicle Research and Application, Chinese Society of Research Hospitals* (中國研究型醫院學會細胞外囊泡研究與應用專業委員會), an executive director of the China Biopharmaceutical Industry Chain Innovation and Transformation Alliance* (中國生物醫藥產業鏈創新轉化聯合體), member of the Special Committee on Pharmacy Chemistry of the Chinese Pharmaceutical Association* (中國藥學會藥物化學專委會), and member of the National Technical Committee on Standardization of Traditional Chinese Medicines*(全國中藥標準化技術委員會). He is also the chief editor of several international journals, including Bioorganic & Medicinal Chemistry Letters (Elsevier) and Journal of Extracellular Vesicle (Wiley), etc. Dr. Yin has received a number of honors, including:

– National Distinguished Expert

– Distinguished Young Scholars Award of National Natural Science Foundation of China

– Outstanding Young Scientist Award of Beijing Municipality

– Wu Jieping — Paul Janssen Medical & Pharmaceutical Award

– First prize of Science and Technology Award of Chinese Pharmaceutical Association

– Second prize of Natural Science Award of the Ministry of Education

– American Chemical Society David W. Robertson Award for Excellence in Medicinal Chemistry

– NSF CAREER Award

– AACR Gertrude B. Elion Cancer Research Award

– Okeanos-CAPA Senior Scientist Award, U.S.-China Association of Professors of Chemistry and Chemical Biology

– Sidney Kimmel Scholar Award

Dr. Yin received his bachelor's degree in applied chemistry from Peking University in July 1999 and his doctoral degree in chemistry from Yale University, the United States in December 2004.

Dr. Lin Aimei (林愛梅博士), aged 58, is an independent non-executive Director and is primarily responsible for providing independent advice and judgment to our Board so as to protect the overall interests of our Company. Dr. Lin was appointed as a Director in the general meeting of our Company on September 15, 2023, and was designated as an independent non-executive Director on May 10, 2024. Dr. Lin is the chairman of our Audit Committee and Remuneration and Appraisal Committee. Dr. Lin has the appropriate professional accounting or related financial management expertise for the purpose of Rule 3.10(2) of the Listing Rules through her experience listed below.

Dr. Lin has over 35 years of experience in accounting and corporate management. Dr. Lin has been serving as an independent director of Jiangsu Xinhua Semiconductor Technology Co., Ltd.* (江蘇鑫華半導體科技股份有限公司) since December 2022 and Xuzhou Hengxin Financial Leasing Co., Ltd.* (徐州恒鑫金融租賃股份有限公司) since January 2023. Since August 1989, Dr. Lin has worked in the accounting department of the School of Economics and Management, China University of Mining and Technology, and currently serves as a professor and doctoral supervisor.

From December 2014 to January 2021, Dr. Lin served as an independent director of XCMG Construction Machinery Co., Ltd.* (徐工集團工程機械股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000425), during which period Dr. Lin served as a member of the audit committee from January 2015 to January 2021. From November 2017 to September 2023, Dr. Lin served as an independent director of Jiangxi Chen Guang New Materials Co., Ltd.* (江西晨光新材料股份有限公司), ("**Chen Guang New Materials**") the shares of which are listed on the Shanghai Stock Exchange (stock code: 605399). During the period, Dr. Lin served as the chairman of the audit committee of Chen Guang New Materials from October 2020 to September 2023. Dr. Lin was also an independent director of Jiangsu Wuyang Parking Industry Group Co., Ltd.* (江蘇五洋停車產業集團股份有限公司) ("**Wuyang Parking**") from November 2017 to November 2023, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 300420). During the period, Dr. Lin served as a member of the audit committee of Wuyang Parking from November 2020 to November 2023. Dr. Lin has also served as an independent director and the chairman of the audit committee of Guosheng Shian Technology Co., Ltd.* (國晟世安科技股份有限公司) since September 2023, the shares of which are listed on the Shanghai Stock Exchange (stock code: 603778), and is primarily engaged in information technology consulting services and urban greening management.

Dr. Lin has received a number of honors, including: first prize of China Coal Industry Science and Technology Award (中國煤炭工業科學技術獎) issued by China National Coal Association in November 2010; second prize of China Coal Industry Science and Technology Award (中國煤炭工業科學技術獎) issued by China National Coal Association in November 2011, respectively; first prize of Jiangsu Province Coal Science and Technology Progress Award issued by Jiangsu Coal Mine Safety Supervision Bureau (江蘇煤礦安全監督局) in October 2009 and second prize for Jiangsu Provincial Teaching Achievement Award (Higher Education Category) (江蘇省教學成果獎(高等教育類)) awarded by Jiangsu Provincial Department of Education in September 2017, and other honorary titles.

Dr. Lin obtained a bachelor's degree in financial accounting from China University of Mining and Technology in June 1989, a master's degree in accounting from China University of Mining and Technology in June 1998, and a doctorate degree in management science and engineering from China University of Mining and Technology in December 2009.

The Board has considered Dr. Lin's experience in financing and accounting, in particular the following:

(i) Dr. Lin has since January 2011 served as professor and since April 2012 served as doctoral supervisor in accounting department at China University of Mining and Technology. As an experienced professor and doctoral supervisor in accounting and financial related disciplines, Dr. Lin was responsible for lecturing and teaching accounting, auditing and financial management related courses; and

(ii) over a decade, Dr. Lin holds or held office as chairman or member of audit committee in four listed companies. As chairman or member of audit committee of listed issuers, Dr. Lin was responsible for, among others, reviewing listed issuer's financial information and relevant disclosure, monitoring and evaluating external and internal audit works performed by the listed issuers, making recommendations on the appointment and change of external audit firms and monitoring and assessing the internal controls of the listed issuers.

Based on the above, the Board and the Sole Sponsor are of the view that Dr. Lin possesses in-depth practical knowledge and experience in overseeing and monitoring the financial reporting, internal control and other accounting related affairs of listed issuers and has the relevant accounting or related financial management experience for the purpose of Rule 3.10(2) of the Listing Rules.

Dr. Ye Tao (葉濤博士), aged 61, is an independent non-executive Director and is primarily responsible for providing independent advice and judgment to our Board so as to protect the overall interests of our Company. Dr. Ye was appointed as an independent non-executive Director at a general meeting of our Company on December 11, 2024 (effective upon Listing).

Dr. Ye has over 30 years of experience in chemical biology research. Dr. Ye has served as a professor and doctoral supervisor in the School of Chemical Biology and Biotechnology, Shenzhen Graduate School of Peking University since October 2015 and concurrently served as the executive deputy dean thereof from March 2018 to October 2023, and is mainly responsible for academic research and teaching and daily management. Prior to that, Dr. Ye worked at the Hong Kong Polytechnic University from December 2001 to August 2015 as a senior researcher and an associate professor, mainly responsible for supervising master students in scientific research and teaching undergraduate courses. Dr. Ye served as a research assistant professor at the University of Hong Kong from December 1998 to December 2001, mainly responsible for guiding master students in scientific research and teaching undergraduate courses. Dr. Ye engaged in postdoctoral research at Queen's University of Belfast from July 1993 to July 1994 and at the University of Nottingham from July 1994 to September 1998.

Dr. Ye was elected as a Fellow of the Royal Society of Chemistry in May 2015.

Dr. Ye obtained a bachelor's degree in pharmaceutical chemical industry from East China Institute of Chemical Technology (currently known as East China University of Science and Technology) in December 1983, and a master's degree in fine chemicals from East China University of Science and Technology in July 1986. He received his doctorate degree from Queen's University of Belfast in the United Kingdom in July 1993.

CONFIRMATION FROM OUR DIRECTORS

Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules on April 18, 2024; and (ii) understands his or her obligations as a director of a listed issuer under the Listing Rules.

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors has confirmed (i) his or her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules; (ii) that he or she had no past or present financial or other interest in the business of our Company or its subsidiaries or any connection with any core connected person of Company under the Listing Rules as of the Latest Practicable Date; and (iii) that there were no other factors that may affect his or her independence at the time of his or her appointments.

Supervisors

The following table sets forth key information about our Supervisors:

Name	Age	Date of joining our Group	Date of appointment as Supervisor	Current position	Roles and responsibilities
Dr. Li Jing (李靜博士)	44	October 2005	December 10, 2021	Chairman of the Supervisory Committee and employee representative supervisor	Responsible for supervising the Directors and senior management of our Company
Mr. Chen Gang (陳罡先生)	44	July 2002	December 10, 2021	Shareholder representative supervisor	Responsible for supervising the Directors and senior management of our Company
Mr. Qing Shiwei (青仕偉先生) . . .	40	June 2018	December 11, 2024	Shareholder representative supervisor	Responsible for supervising the Directors and senior management of our Company

Dr. Li Jing (李靜博士), aged 44, is the chairman of our Supervisory Committee and an employee representative Supervisor, and is primarily responsible for supervising the performance of our Directors and senior management of our Company. Dr. Li was elected as a Supervisor of our Company and elected as the chairman of the Supervisory Committee on December 10, 2021 at the employee representative meeting.

Dr. Li has approximately 18 years of working experience in pharmacology and toxicology research. Dr. Li has served various positions in our Company since October 2005. His current positions are the director of pharmacology and toxicology department and the director of the department of biology, mainly responsible for pharmacology and toxicology research. Dr. Li has also been appointed by our Company as the deputy director of the State Key Laboratory of Research and Development of New Anti-infective Drugs for a term from January 2021 to December 2025.

Dr. Li obtained the qualification of deputy chief pharmacist (deputy senior) certified by the Department of Human Resources and Social Security of Guangdong Province in July 2023.

Dr. Li obtained a bachelor's degree in pharmacy from Hunan College of Traditional Chinese Medicine (currently known as Hunan University of Chinese Medicine) in June 2003, a master's degree in pharmaceutical analysis from Sun Yat-sen University in June 2005, and a doctorate degree in pharmacy from Central South University in July 2021.

Mr. Chen Gang (陳罡先生), aged 44, is our shareholder representative Supervisor and is primarily responsible for supervising the performance of our Directors and senior management of our Company. Mr. Chen was appointed as a Supervisor of our Company at the general meeting of our Company on December 10, 2021.

Mr. Chen has approximately 22 years of experience in domestic drug registration and application. From August 2014 to September 2019, and from September 2019 to December 2019, Mr. Chen served as the head of the regulatory department of Yichang Shancheng Shuidu. Dongchongxiacao Co., Ltd.* (宜昌山城水都冬蟲夏草有限公司) and Dongguan HEC Research, and was primarily responsible for drug registration and application. Since March 2008, Mr. Chen has been working in our Group and has served as the head of the regulatory department, the senior registration officer and the deputy head of the generic drug laboratory. He is mainly responsible for the registration, research and development, application and approval of domestic drugs of our Group's pharmaceutical business. From July 2002 to February 2008, Mr. Chen also worked in HEC CJ Pharm and served as a technician of the development department, the registration officer of the registration division and the head of the registration division, mainly responsible for process development, registration and application, and was the person in charge of the registration declaration team.

Mr. Chen obtained a bachelor's degree from Gansu College of Traditional Chinese Medicine (currently known as Gansu University of Chinese Medicine) in June 2002, majoring in Chinese pharmacology. Mr. Chen is pursuing a part-time master's degree of Shenyang Pharmaceutical University since July 2020, majoring in pharmaceutical management.

Mr. Qing Shiwei (青仕偉先生), aged 40, is our shareholder representative Supervisor and is primarily responsible for supervising the performance of our Directors and senior management of our Company. Mr. Qing has been appointed as a Supervisor of our Company at the general meeting of our Company on December 11, 2024.

Mr. Qing has approximately 17 years of experience in the field of financial accounting. He has been serving as the financial manager of Guangdong HEC Biopharmaceutical since June 2020, mainly responsible for overseeing financial operations. From June 2018 to June 2020, he worked as the financial manager of our Company. Prior to joining our Group and from June 2017 to June 2018, Mr. Qing served as chief of finance section at Dongguan HEC Industrial Development Co., Ltd.* (東莞市東陽光實業發展有限公司). He has been the deputy chief of finance section at Ruyuan HEC Fluoride Co., Ltd.* (乳源東陽光氟有限公司) from March 2014 to June 2017, and the general ledger accountant at Ruyuan HEC Magnetic Materials Co., Ltd.* (乳源東陽光磁性材料有限公司) from July 2011 to March 2014, mainly responsible for budgeting, financial planning and management. Mr. Qing has also been a sales accountant at Ruyuan Yao Autonomous County Yangzhiguang Qinshuibo Co., Ltd.* (乳源瑤族自治縣陽之光親水箔有限公司) from April 2007 to July 2011.

Mr. Qing obtained the qualification of a certified intermediate accountant in August 2011 issued by the Human Resources and Social Security Department of Hunan Province. Mr. Qing obtained his bachelor's degree in financial management from Hunan Business College in June 2006.

Other disclosures pursuant to Rule 13.51(2) of the Listing Rules

Save as disclosed above, each of our Directors and Supervisors confirmed with respect to himself or herself that: (i) he or she did not hold other positions in our Company or other members of our Group as of the Latest Practicable Date; (ii) he or she had no other relationships with any Directors, Supervisors, members of our senior management, substantial shareholders or Controlling Shareholders of our Company as of the Latest Practicable Date; and (iii) he or she has not held any directorship in other listed companies in the three years preceding the date of this Listing Document. Immediately following the Listing by way of introduction, except for the interests in the Shares disclosed in "Appendix VI — Statutory and General Information — C. Further Information about our Directors, Supervisors and Substantial Shareholders — 1. Directors, Supervisors and Chief Executive", all of our Directors and Supervisors do not have any other interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed in this Listing Document, none of the Directors has any interest in any business (other than the business of our Group) which competes or is likely to compete (whether directly or indirectly) with our Group. For further information about our Directors or Supervisors, please refer to Appendix VI in this Listing Document.

In 2019, the CSRC issued an administrative penalty notice to each of Ms. Gong Caixia, a friend of Mr. Zhu Yingwei ("**Mr. Zhu**"), and Mr. Guo Meigao, the uncle of Mr. Zhang and a friend of Mr. Zhu, respectively (the "**CSRC Notices**"), for insider dealings of the shares of Guangdong HEC Technology in 2016. The CSRC Notices mentioned Mr. Zhang and Mr. Zhu, but there was no conclusion that they were involved in such incident, responsible for leaking the information to Ms. Gong Caixia or Mr. Guo Meigao or advising Ms. Gong Caixia and/or Mr. Guo Meigao to deal with the securities of Guangdong HEC Technology while in possession of inside information.

The Directors consider, and the Sole Sponsor concurs, that the CSRC Notices do not affect the suitability of Mr. Zhang and Mr. Zhu to serve as Directors under Rules 3.08 and 3.09 of the Listing Rules mainly for the following reasons:

(a) the CSRC Notices were not addressed to Mr. Zhang or Mr. Zhu, who were not the subjects of the violation or the penalties mentioned in the CSRC Notices, and the CSRC Notices did not provide any evidence of dishonesty or fraudulence or suggest any issue of integrity related to Mr. Zhang or Mr. Zhu;

(b) according to the interviews with Ms. Gong Caixia and Mr. Guo Meigao, neither Mr. Zhang nor Mr. Zhu were involved in the incident of insider trading, nor had Mr. Zhang or Mr. Zhu provided any inside information to them; and

(c) the PRC Legal Advisor advised that the two Directors are in compliance with the PRC Company Law, in particular, Article 178 of the PRC Company Law in relation to the qualifications of directors, supervisors and senior management, and other PRC Laws.

Save as disclosed in this Listing Document, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there is no other matters with respect to the appointment of Directors or Supervisors that need to be brought to the attention of our Shareholders and no information relating to their appointments that is required to be disclosed pursuant to Rule 13.51(2) (h) to (v) of the Listing Rules as of the Latest Practicable Date.

Senior Management

The following table sets forth the key information of our senior management:

Name	Age	Date of joining our Group	Date of appointment as senior management	Current position	Roles and responsibilities
Dr. Li Wenjia (李文佳博士) . . .	42	July 2006	January 19, 2021	Executive Director and general manager	Responsible for R&D of biologics and management
Ms. Huang Fangfang (黃芳芳女士) . . .	42	December 2011	June 19, 2023	Deputy general manager	Responsible for managing R&D of generic drug and improved innovative drug
Dr. Jin Chuanfei (金傳飛博士) . . .	43	August 2014	June 19, 2023	Deputy general manager	Responsible for R&D of innovative drug

Name	Age	Date of joining our Group	Date of appointment as senior management	Current position	Roles and responsibilities
Ms. Li Xiaoping (李曉平女士) . . .	39	December 2010	June 19, 2023	Deputy general manager	Responsible for R&D of biological similar drugs and biologics innovative drugs.
Mr. Zhang Zhiyong (張志勇先生) . . .	46	February 2007	June 19, 2023	Deputy general manager	Responsible for drug production quality control
Mr. Lin Taoxi (林淘曦先生) . . .	41	August 2014	June 19, 2023	Secretary to the Board and deputy general manager	Responsible for intellectual property management, project business cooperation, board secretary and administrative related work
Mr. Min Wenbi (閔文畢先生) . . .	43	February 2014	June 19, 2023	Head of finance	Responsible for financial management

Save that Mr. Lin Taoxi and Mr. Tang Xinfa are brothers in law, none of the senior management of our Group has any relationship with the Directors, Supervisors and other senior management.

Dr. Li Wenjia (李文佳博士), aged 42, is an executive Director and the general manager of our Company. For the biographical details of Dr. Li, please refer to "Directors-Executive Directors" in this section.

Ms. Huang Fangfang (黃芳芳女士), aged 42, joined our Group in December 2011 and was appointed as the deputy general manager of our Company on June 19, 2023. She is primarily responsible for managing the R&D of generic drugs and improved new drugs. Ms. Huang has also served as an executive director of Dongguan HEC Generic Drug since March 2019, and is primarily responsible for the management and operation of the company.

Ms. Huang has over 18 years of experience in the research and development and management of generic drugs. Ms. Huang has been the head of the generic drug department of our Company and deputy head of the drug research department of our Company since June 2014 and is responsible for managing R&D of generic drug and improved innovative drug. Ms.

Huang also served as the chairman of the supervisory committee of HEC CJ Pharm from May 2015 to June 2019, and a director of our Company from January 2021 to December 2021. Prior to that, Ms. Huang worked in Shenzhen HEC Industrial from June 2006 to June 2014 and successively served as the analytical supervisor and the supervisor of the preparation department, and was mainly responsible for the daily operation management of the preparation department, the establishment of the preparation research and development process, the establishment of the preparation technology platform, and the management of the research and development of overseas generic drugs and multiple clinical modified new drugs.

Ms. Huang obtained a bachelor's degree in biological sciences from Sun Yat-sen University in June 2004 and a master's degree in pharmaceutical analytics from Sun Yat-sen University in June 2006.

Dr. Jin Chuanfei (金傳飛博士), aged 43, joined our Group in August 2014 and was appointed as the deputy general manager of our Company on June 19, 2023, mainly responsible for the research and development of new drugs.

Dr. Jin has extensive experience in the field of new drug research. Dr. Jin joined our Company in August 2014 and held various positions. He is currently the head of the chemical drugs discovery department and deputy general manager of our Company, mainly responsible for R&D of innovative drugs.

Dr. Jin obtained the qualification of senior pharmaceutical engineer (associate senior) certified by the Department of Human Resources and Social Security of Guangdong Province in July 2023.

Dr. Jin obtained a bachelor's degree in chemistry (normal education) from Jianghan University in July 2005, and a doctorate degree in organic chemistry from Central China Normal University in June 2011.

Ms. Li Xiaoping (李曉平女士), aged 39, joined our Group in December 2010 and was appointed as the deputy general manager of our Company on June 19, 2023. She is mainly responsible for R&D of biological similar drugs and biologics innovative drug.

Ms. Li has 13 years of experience in the development of biological drugs. Ms. Li has been working in our Company since December 2010 and has served as deputy head of the protein department, executive deputy head of the protein department, head of the protein department, deputy head of the biologics research department, head of the biologics engineering department and head of the biologics discovery department, mainly responsible for the research and development of biosimilars and new biological drugs.

Ms. Li obtained a bachelor's degree in biotechnology from Hunan University in June 2007 and a master's degree in biochemistry and molecular biology from Hunan University in June 2010.

Mr. Zhang Zhiyong (張志勇先生), aged 46, joined our Group in February 2007 and was appointed as the deputy general manager of our Company on June 19, 2023, mainly responsible for drug production quality control.

Mr. Zhang has approximately 17 years of extensive experience in the field of pharmaceutical production quality management. Mr. Zhang has served as the deputy manager of our Company since July 2023, mainly responsible for pharmaceutical production quality management. From January 2022 to June 2023, he served as the executive director of Guangdong HEC Biopharmaceutical, mainly responsible for company management and decision-making. Mr. Zhang also served as the chairman and general manager of Ruyuan HEC Pharma from March 2010 to February 2023, and the head of the formulation department and deputy head of the drug research department of our Company from April 2012 to August 2017. From February 2007 to July 2013, he served as the head of the preparation team of the pharmaceutical factory of our Company, mainly responsible for the preparation of the pharmaceutical production and quality management system. From June 2015 to January 2021, Mr. Zhang also served as the general manager of the Company.

Mr. Zhang obtained a bachelor's degree in pharmaceutical engineering from Hubei College of Traditional Chinese Medicine in June 2002.

Mr. Lin Taoxi (林淘曦先生), aged 41, joined our Company in August 2014 and has been appointed as the secretary to the Board and deputy general manager of our Company on June 19, 2023. He is mainly responsible for intellectual property management, project business cooperation, secretary to the Board and administration related work. Mr. Lin has also served as a supervisor of Dongguan HEC Medicine since March 2019, where he is mainly responsible for supervising the work of Dongguan HEC Medicine's directors and senior management and inspecting and assessing the company's daily affairs.

Mr. Lin has over 18 years of experience in the pharmaceutical intellectual property field. Prior to joining our Group, Mr. Lin served as a researcher and intellectual property director at Shenzhen HEC Industrial from July 2006 to August 2014. Since joining our Company in August 2014, Mr. Lin has held various positions, including director of the intellectual property department. His current position is director of intellectual property and business development department, deputy manager and secretary to the Board, mainly responsible for intellectual property management, project business cooperation, secretary to the Board and administration related work. Mr. Lin also served as a supervisor of Dongguan HEC Medical from January 2017 to December 2023, where his primary responsibilities included supervising the work of Dongguan HEC Medical's directors and senior management and inspecting and assessing the company's daily affairs.

In addition, Mr. Lin also holds multiple academic positions, including serving as a committee member of the Intellectual Property Research Professional Committee of the Chinese Pharmaceutical Association in 2023, and as an expert in the Patent Analysis and Early Warning Expert Database of the National Intellectual Property Administration in 2022. In December 2017, Mr. Lin was recognized by the National Intellectual Property Administration as an outstanding individual in enterprise intellectual property work for the year 2016.

Mr. Lin obtained a bachelor's degree in chemistry from Nanjing University in June 2006 and a master's degree in pharmacy from Sun Yat-sen University in December 2019.

Mr. Min Wenbi (閔文畢先生), aged 43, joined our Group in February 2014 and was appointed as the financial controller of our Company in June 2015 and the head of finance of our Company in October 2019. He is mainly responsible for financial and treasury management. Mr. Min has also been serving as a supervisor of Shenzhen HEC Testing since February 2014.

Mr. Min has about 20 years of experience in financial accounting. Prior to joining our Group, Mr. Min held the position of the chief of the audit department at Shenzhen HEC Industrial and chief of the finance department of HEC research institute from January 2011 to June 2015, mainly responsible for internal auditing, financial accounting and financial management. From May 2006 to January 2011, he served as the chief of the finance department of Dongguan HEC Capacitor Co., Ltd.* (東莞市東陽光電容器有限公司), mainly responsible for financial accounting and financial management. From July 2004 to May 2006, Mr. Min also served as the accountant in chief of Shenzhen HEC Industrial, mainly responsible for financial accounting.

Mr. Min obtained a bachelor's degree in accounting from Heilongjiang University of Science and Technology (formerly known as Heilongjiang Institute of Science and Technology) in July 2004, and a master's degree in business administration from Heilongjiang University of Science and Technology in June 2019.

Company Secretary

Mr. Cheng Ching Kit (鄭程傑) has been appointed as company secretary of our Company on February 26, 2024. Mr. Cheng is an assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited, a professional services provider specializing in corporate services, and has over 10 years of experience in corporate secretarial field. He is an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom since June 2018. In addition, Mr. Cheng obtained a Bachelor of Commerce with a major in finance from The University of Queensland, Australia in December, 2010 and a Master of Laws in Chinese law from the University of Hong Kong in November, 2022.

BOARD COMMITTEES

The Board delegates certain responsibilities to various dedicated committees in accordance with relevant PRC laws, regulations, the Articles and the Listing Rules, namely, the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee and the Strategic Committee. The appointment of the respective committee members was approved by the Shareholders at the Shareholders' general meeting on December 11, 2024.

Audit Committee

We have established an Audit Committee in compliance with Rule 3.21 of the Listing Rules and with written terms of reference in compliance with paragraph D.3 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. The primary duties of our

Audit Committee are, among other things, to make recommendations to our Board on the appointment and removal of external auditors; review the financial statements and material advice in respect of financial reporting; and oversee internal control procedures of our Company.

Our Audit Committee comprises of three members, namely Dr. Lin Aimei, Mr. Tang Xinfa and Dr. Li Xintian. Dr. Lin Aimei is the chairman of our Audit Committee, who is an independent non-executive Director with the appropriate accounting and related financial management expertise as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Remuneration and Appraisal Committee

We have established a Remuneration and Appraisal Committee in compliance with Rule 3.25 of the Listing Rules and with written terms of reference in compliance with paragraph E.1 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. The primary duties of our Remuneration and Appraisal Committee, among other things, are to make recommendations to our Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; review performance-based remuneration; and ensure none of our Directors determine their own remuneration.

Our Remuneration and Appraisal Committee comprises of three members, namely Dr. Lin Aimei, Dr. Zhang Yingjun and Dr. Li Xintian. Dr. Lin Aimei is the chairman of our Remuneration and Appraisal Committee.

Nomination Committee

We have established a Nomination Committee in compliance with Rule 3.27A of the Listing Rules and with written terms of reference in compliance with paragraph B.3 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. The primary duties of our Nomination Committee are, among other things, to review the structure, size and composition of our Board and our board diversity policy on a regular basis; identify individuals suitably qualified to become Board members; assess the independence of independent non-executive Directors; and make recommendations to our Board on relevant matters relating to the appointment or re-appointment of Directors.

Our Nomination Committee comprises of three members, namely Dr. Yin Hang Hubert, Dr. Zhang Yingjun and Dr. Li Xintian. Dr. Yin Hang Hubert is the chairman of our Nomination Committee.

Strategic Committee

We have established a Strategic Committee, and its primary duties are, among other things, to review our Company's product research and development status; conduct research on the long-term development strategy rules of our Company and provide recommendations;

research and propose suggestions on major matters that require approval from our Board or Shareholders' general meeting as stipulated in the Articles of our Company, as well as other major matters that affect our Company's development, and inspect the implementation of such matters.

Our Strategic Committee comprises of three members, namely Dr. Zhang Yingjun, Mr. Zeng Xuebo and Dr. Yin Hang Hubert. Dr Zhang Yinjun is the chairman of our Strategic Committee.

BOARD DIVERSITY POLICY

We have adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the objective and approach to achieve and maintain diversity of our Board in order to enhance the effectiveness of our Board. Pursuant to the Board Diversity Policy, we seek to achieve diversity of our Board through the consideration of a number of factors when selecting candidates to our Board, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining our Company's competitive advantage and enhancing its ability to attract and retain talents and motivate employees. We have also taken, and will continue to take measures to promote gender diversity at all levels of our Company, including but not limited to our Board and the senior management levels.

Our Board currently comprises of nine male Directors and four female Directors, aged between 37 and 61 years old. Our Directors have a balanced mix of knowledge and skills, including corporate management, strategic and business development, pharmaceutical investment and research, legal research, biochemistry, pharmaceutical chemistry, and corporate investment and financing. Our Company believes that our Board complies with our Board Diversity Policy. Our Nomination Committee will review and assess the composition of our Board and make recommendations to our Board on appointment of members of our Board. Meanwhile, our Nomination Committee will consider the benefits of all aspects of board diversity, including without limitation, professional experience, skills, knowledge, education background, age, gender, culture and ethnicity, and length of service, in order to maintain an appropriate range and balance of talents, skills, experience and diversity of perspectives on our Board.

Upon the Listing, the Nomination Committee will from time to time (i) discuss and agree on expected goals to ensure board diversity, and (ii) review and update the Board Diversity Policy as necessary to ensure its effectiveness. Our Company will disclose the implementation of the Board Diversity Policy in its corporate governance report on an annual basis.

COMPLIANCE ADVISOR

We have appointed China Sunrise Capital Limited as our compliance advisor upon the Listing pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance advisor will advise us when we consult our compliance advisor in the following circumstances:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(iii) where our Group's business activities, developments or results of operation deviate from any forecast, estimate or other information in this Listing Document; and

(iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares or any other matters in accordance with Rule 13.10 of the Listing Rules.

The terms of appointment of the compliance advisor shall commence on the Listing Date and end on the date on which our Group publishes our financial results for the first full financial year commencing after the Listing Date in compliance with Rule 13.46 of the Listing Rules and such appointment may be subject to extension by mutual agreement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Our Company recognizes the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve effective accountability.

We will comply with the code provisions stated in the Corporate Governance Code as set forth in Appendix C1 to the Listing Rules after the Listing. Our Company always believes that our Board should include a balanced composition of executive and independent non-executive Directors so that there is a clear independent element on our Board, which can effectively exercise independent judgment.

REMUNERATION POLICY

When reviewing and determining the specific remuneration packages for Directors, Supervisors and senior management, we consider a number of factors, such as their personal performance, qualifications, experience and length of service, salaries paid by comparable companies, the time invested and responsibilities assumed by Directors, Supervisors and senior management, whether they are employed by our Group and whether performance-based remuneration is desirable.

Subject to applicable laws, rules and regulations, our Directors and Supervisors receive remuneration in the form of fees, salaries, discretionary bonuses, contributions to pension schemes, housing and other allowances, benefits in kind and equity-settled share-based payments. For the years ended December 31, 2022, 2023 and 2024, the aggregate amounts of our Directors' and Supervisors' remuneration (including directors' fees, salaries, allowances and benefits in kind, contributions to defined contribution retirement benefit schemes, discretionary bonuses and equity-settled share-based payment) were RMB5,815,000, RMB53,681,000 and RMB102,268,000, respectively. It is estimated that under the arrangements currently in force, the aggregate emolument payable to our Directors and Supervisors (including directors' fees, salaries, allowances and benefits in kind, contributions to defined contribution retirement benefit schemes, discretionary bonuses and equity-settled share-based payment) for the year ending December 31, 2025 will be approximately RMB129,778,000.

For the years ended December 31, 2022, 2023 and 2024, the aggregate amounts of remuneration paid or payable to the five highest paid individuals (excluding Directors and Supervisors) of our Group (including salaries and other emoluments, discretionary bonuses, contributions to defined contribution retirement benefit and equity-settled share-based payment) were RMB2,416,000, RMB9,133,000 and RMB9,625,000, respectively.

During the Track Record Period, no emolument was paid by our Group to any of our Directors, Supervisors or the five highest paid individuals as an inducement to join or upon joining our Group or as compensation for loss of office. None of our Directors or Supervisors has waived or has agreed to waive any emoluments during the Track Record Period.

Save as disclosed above, no other payments of remuneration have been made, or are payable, in respect of the Track Record Period, by our Group to any of our Directors, Supervisors or the five highest paid individuals.

For information on Directors' and Supervisors' remuneration as well as information on the highest paid individuals during the Track Record Period, please see notes 8 and 9 to the Accountants' Report set out in Appendix I to this Listing Document and "Statutory and General Information" set out in Appendix VI to this Listing Document.

OVERVIEW

As of the Latest Practicable Date, Yichang HEC Research, Shenzhen HEC Industrial, Guangdong HEC Technology, Yidu Junjiafang and Yidu Shuaixinwei directly held in aggregate approximately 62.12% of the total issued share capital of our Company.

Yichang HEC Research is owned as to 86.74% by Dongguan HEC Research, which is owned as to 73.64% by Linzhi HEC Pharmaceutical Research, 2.11% by Shenzhen HEC Industrial and 6.93% by Ruyuan HEC Industrial, a non wholly-owned subsidiary of Shenzhen HEC Industrial. Linzhi HEC Pharmaceutical Research is owned as to 82.72% by Shenzhen HEC Pharmaceutical, which is wholly owned by Shenzhen HEC Industrial, 9.19% by Yidu HEC Industrial and 2.98% by Yichang HEC Medicine, each a non wholly-owned subsidiary of Shenzhen HEC Industrial, and 5.11% by Ruyuan Yuneng Electric. Yichang HEC Medicine is owned as to 53.73% by Zhejiang HEC Health and 5.75% by Dongguan HEC Industrial, each a wholly-owned subsidiary of Shenzhen HEC Industrial. Guangdong HEC Technology is owned as to 52.69% in aggregate directly or indirectly by Shenzhen HEC Industrial and its parties acting in concert, namely, Yichang HEC Medicine, Ruyuan Yangzhiguang Aluminum, Ruyuan HEC Enterprise Management, Shenzhen NewFoxon and Suzhou Fenghe. Shenzhen HEC Industrial is held as to 42.34%, 27.01% and 30.66% by Ruyuan Yuneng Electric, Shaoguan Xinyuneng Industrial and Ruyuan Xinjing Technology, respectively, while Shaoguan Xinyuneng Industrial is owned as to 58% and 42% by Ruyuan Yuneng Electric and Ruyuan Xinjing Technology, respectively. Ruyuan Yuneng Electric is owned as to 71.75% by Ms. Guo, 27.45% by Mr. Zhang and 0.5% by Ruyuan Shuaicai Investment, a limited partnership where Mr. Zhang acts as the general partner thereof and holds 90% interest therein. Ruyuan Xinjing Technology is ultimately controlled by Ms. Guo and Mr. Zhang. Furthermore, Mr. Zhang is also the sole general partner of Yidu Shuaixinwei and Yidu Junjiafang.

After the completion of the Introduction and the Privatization, Mr. Zhang and Ms. Guo will continue to indirectly hold in aggregate approximately 50.98% of the total issued share capital of our Company through entities controlled by them. Accordingly, and by virtue of the family relationship of Mr. Zhang and Ms. Guo, Mr. Zhang, Ms. Guo and the entities controlled by them, namely Guangdong HEC Technology, Yichang HEC Research, Dongguan HEC Research, Linzhi HEC Pharmaceutical Research, Ruyuan HEC Industrial, Yidu HEC Industrial, Yichang HEC Medicine, Shenzhen HEC Pharmaceutical, Shenzhen HEC Industrial, Dongguan HEC Industrial, Zhejiang HEC Health, Ruyuan Yuneng Electric, Ruyuan Shuaicai Investment, Shaoguan Xinyuneng Industrial, Ruyuan Xinjing Technology, Yidu Junjiafang and Yidu Shuaixinwei, will become a group of our Controlling Shareholders after the Listing.

DELINEATION OF BUSINESS

Business of our Group

Our Group is engaged in research and development, production and commercialization of pharmaceutical products with a focus on innovative drugs and are also involved in modified new drugs, generic drugs and biosimilars. Our Group strategically focuses on therapeutic areas of infectious diseases, chronic diseases and oncology. According to the Frost & Sullivan Report, those three therapeutic areas have the greatest market potential in terms of the sales revenue of pharmaceutical products in China from 2018 to 2023 and significant unmet medical needs. As of the Latest Practicable Date, we had 150 approved drugs in various countries and regions, including China, the United States and Europe. As of the Latest Practicable Date, we also had more than 100 drugs in the pipeline, including 49 Class I innovative drug candidates in China, among which one innovative drug candidate was under the NMPA's review for launching in China and ten innovative drug candidates were in Phases II or III clinical trials. As of the Latest Practicable Date, we have successfully developed and launched three Class I innovative drugs and applied for launching one Class I innovative drug through our in-house research and development in China. As a result of our extensive pipeline of anti-infective drugs, we were approved by the Ministry of Science and Technology of the PRC to establish a State Key Laboratory of Anti-Infective Drug Development.

For details of our business, please refer to the section headed "Business" in this Listing Document.

Business of our Controlling Shareholders

Shenzhen HEC Industrial Group is primarily engaged in a wide range of businesses including electronic new materials, biomedicine and health and wellness products. In addition, Shenzhen HEC Industrial Group is also engaged in other businesses such as energy, trading, construction and manufacturing, production of packaging and production materials and cultural tourism. Apart from its interests in our Group, within its biomedicine business, Shenzhen HEC Industrial Group is also engaged in the production and sales of APIs and intermediates through Ruyuan HEC Pharma, a company controlled by it, and engaged in R&D, production and sales of macrolides APIs and intermediates, lincomycin hydrochloride APIs and intermediates as well as enzyme preparations through HEC Biochemical Pharma, a company controlled by it. According to Frost & Sullivan, there is a clear delineation in terms of both client base and production processes between the market for innovative drugs, improved new drugs and high-end generic drugs and the market for APIs and intermediates. As of the Latest Practicable Date, there are (i) no overlapping APIs and intermediates produced by both our Group and Shenzhen HEC Industrial Group; and (ii) no overlapping customers between our Group and Shenzhen HEC Industrial Group.

Apart from Shenzhen HEC Industrial, the principal business of our other corporate Controlling Shareholders are as follows:

Name of Controlling Shareholder	Principal Business
Guangdong HEC Technology	Engaged in the production and sales of electronic components, aluminum foils, new chemical materials and energy materials
Yichang HEC Research	Investment holding company with no material business
Dongguan HEC Research	Investment holding company with no material business
Linzhi HEC Pharmaceutical Research	Engaged in business segments including agricultural products, health foods, traditional Chinese medicine, pesticides, seeds, and smart devices
Ruyuan HEC Industrial	Engaged in investment in emerging enterprises (including in the fields of electronic materials, aluminum processing and aluminum materials, chemical products), domestic commerce and trading, sales of supplies and foreign investment
Yidu HEC Industrial	Engaged in investment and development of electronic materials projects, supply and sales of production materials and agency services for electricity fees
Yichang HEC Medicine	Investment holding company of HEC Biochemical Pharma, with no material business
Shenzhen HEC Pharmaceutical	Investment holding company with no material business
Dongguan HEC Industrial	Engaged in the investment and management of various types of industrial companies
Zhejiang HEC Health	Engaged in business segments including health consulting, health foods and traditional Chinese medicine etc.
Ruyuan Yuneng Electric	Engaged in the investment of emerging enterprises (including in fields of materials and electronic components), domestic commerce, supply and sales of goods and electronic products
Ruyuan Shuaicai Investment	Investment holding company with no material business
Shaoguan Xinyuneng Industrial	Investment holding company with no material business
Ruyuan Xinjing Technology	Engaged in investment of emerging enterprises (including in fields of materials and electronic components), domestic commerce, supply and sales of goods and electronic products
Yidu Junjiafang	Share incentive plan platform of our Company
Yidu Shuaixinwei	Share incentive plan platform of our Company

Ruyuan HEC Pharma

Ruyuan HEC Pharma is principally engaged in the production and sales of APIs and intermediates, while our Group is mainly engaged in the R&D, production and commercialization of pharmaceutical products with a focus on innovative drugs, and also covering modified new drugs, generic drugs and biosimilars, but also has the capabilities to produce and sell APIs and intermediates. However, our self-produced APIs and intermediates are mainly for our own drug production needs. During the Track Record Period, the APIs and intermediates products produced by our Group and Ruyuan HEC Pharma were not identical and did not overlap.

On the other hand, Ruyuan HEC Pharma is primarily engaged in the production and sales of APIs and intermediates, and all the APIs produced are sold externally, including the provision of synthesis of APIs for the completion of our Group's R&D projects, validation batch production and pilot scale-up of APIs. In this connection, our Company has entered into API purchase agreements with Shenzhen HEC Industrial from time to time in relation to the procurement of APIs for purpose of R&D of our Group. For details of the purchase of APIs by our Group from Shenzhen HEC Industrial and its subsidiaries, please refer to the section headed "Connected Transactions — Partially Exempted Continuing Connected Transactions — 4. APIs Purchase Framework Agreement" in this Listing Document. Our Directors are of the view that, as the close proximity of Ruyuan HEC Pharma to the production base of the major medical products of our Group facilitates the transportation of APIs and Shenzhen HEC Industrial has a good understanding of the needs of our Group through the mutual trust established between both parties during past cooperation, the aforesaid business cooperation arrangement is in the commercial interest of our Group.

Our Directors believe that the production and sales of APIs and intermediates conducted by Ruyuan HEC Pharma do not constitute competition or potential competition with our business mainly for the following reasons:

(i) our Group will continue to focus on the R&D, production and commercialization of innovative drugs and also covering modified new drugs, generic drugs and biosimilars as its core business; while Ruyuan HEC Pharma is not the marketing authorization holder of any pharmaceutical approval and is principally engaged in the production and sales of APIs and intermediates, nor does it intend to change its core business in the future that would result in competition between the business of Ruyuan HEC Pharma and our Group's business; and

(ii) our Controlling Shareholders (other than Guangdong HEC Technology) have entered into the Non-Competition Agreement (as defined below) with our Company, pursuant to which they have undertaken that they will not and will procure their respective close associates (including Ruyuan HEC Pharma) not to engage in any business or investment activities which are the same, similar to or in competition or likely to be in competition with our Group's business. For details of the Non-Competition Agreement, please refer to the paragraph headed "Non-Competition Agreement" in this section.

HEC Biochemical Pharma

HEC Biochemical Pharma is primarily engaged in the R&D, production and sales of macrolides APIs and intermediates, lincomycin hydrochloride APIs and intermediates as well as enzyme preparations, with its products being mainly used for the production of pharmaceutical products in the field of anti-bacterial therapy; while our Group's products are mainly pharmaceutical products applied in therapeutic areas, such as infectious diseases, chronic diseases and oncology. Our Directors are of the view that the production and sales of APIs and intermediates conducted by HEC Biochemical Pharma does not constitute competition or potential competition with our business for the following reasons:

(1) HEC Biochemical Pharma is primarily engaged in the sale of APIs and intermediates, whilst our Group is primarily engaged in the production and sale of pharmaceutical products;

(2) Whilst our Group is capable of producing APIs and intermediates, our self-produced APIs and intermediates are mainly for our own drug production needs rather than for external sale. Further, during the Track Record Period, there is no overlap between the APIs and intermediates produced by HEC Biochemical Pharma and our Group; and

(3) HEC Biochemical Pharma and our Group target different customers due to the difference in the nature of their respective products, with HEC Biochemical Pharma targeting pharmaceutical companies primarily engaging in the production of pharmaceutical products whereas the main target customers of our Group being our third-party distributors. During the Track Record Period, there were no overlapping customers between HEC Biochemical Pharma and our Group.

Each of our Controlling Shareholders and our Directors confirm that as of the Latest Practicable Date, save as disclosed above, neither of them nor their respective close associates have any interest in any business, apart from the businesses operated by members of our Group, that competes or is likely to compete, directly or indirectly, with the business of our Group and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

NON-COMPETITION AGREEMENT

Non-competition Undertakings

We have entered into a non-competition agreement (the "**Non-Competition Agreement**") with each of our Controlling Shareholders (other than Guangdong HEC Technology) (collectively, the "**Covenantors**" and each, a "**Covenantor**"), pursuant to which each of the Covenantors has irrevocably and unconditionally, collectively and individually, undertaken with our Company (for ourselves and as the trustee for the benefit of each member of our Group) that, among others, during the period of the Non-Competition Agreement, the Covenantors shall not, and shall procure their respective close associates (whether as a shareholder, director, officer, partner, agent, lender, employee, consultant or otherwise, or whether it is engaged for profits, remuneration or for any other purpose) not to, in countries or regions that our Group operates our business, directly or indirectly, whether alone or jointly with other parties, or on behalf of or to assist or act in concert with any other parties, engage in, invest in, participate in, attempt to participate in, render any services to, provide any financial support to or otherwise be involved in any business or investment activities which are the same, similar to or in competition or likely to be in competition with any business engaged in currently (including engaging in research and development, production and commercialization of pharmaceutical products), or expected to be carried on, by any member of our Group (the "**Restricted Business**"), or directly or indirectly be interested in or economically interested in the Restricted Business.

The above restrictions do not apply to the following circumstances:

(i) the Covenantors and/or their respective close associates hold any securities of any company listed on any stock exchange which is engaged in any competing business without holding or controlling the exercise of 10% or more of the voting rights of the issued share capital of such company in aggregate;

(ii) the Covenantors undertake project(s) or otherwise participate in any New Business Opportunities (as defined below), provided that the project or New Business Opportunities have been first offered to our Group but not taken by our Group;

(iii) through acquiring or holding any investment or interest in units or shares of any company, investment trust, joint venture, partnership or other entity in whatever form which conducts or engages in any Restricted Business where such investment or interest does not exceed 10% of the issued shares of such entity provided that (1) such investment or interest does not grant the Covenantors or their respective close associates any right to control the composition of the board of directors or managers of such entity, (2) none of the Covenantors or their respective close associates control the board of directors or managers of such entity and (3) such investment or interest does not grant the Covenantors or their respective close associates any right to participate directly or indirectly in such entity.

New Business Opportunities

In addition, each of Covenantors has further severally and jointly, irrevocably and unconditionally undertaken to our Company (for ourselves and as trustee for the benefit of each member of our Group) that it shall refer to and procure its close associates to refer to investment or business opportunity related to Restricted Business ("**New Business Opportunities**" and each, a "**New Business Opportunity**") to our Company in our following manner:

(i) as soon as it becomes aware of any New Business Opportunity, gives written notice (the "**Offer Notice**") to us the nature of the target company (if relevant) and the New Business Opportunity, detailing all information available to it for our Company to consider whether to pursue such New Business Opportunity (including details of any investment or acquisition costs and the contact details of the third parties offering, proposing or presenting the New Business Opportunity).

(ii) our Company shall, as soon as practicable and in any case within 30 business days from the receipt of the Offer Notice (the "**Offer Notice Period**") notify the relevant Covenantor in writing of any decision taken to pursue or decline the New Business Opportunity, subject to compliance with applicable requirements under the Listing Rules. During the Offer Notice Period, our Company may negotiate with the third party and the relevant Covenantor shall use its best endeavours to assist us in obtaining such New Business Opportunity on the same or more favorable conditions.

(iii) the respective Covenantors confirm that, our Company is required to seek approval from our Directors who do not have a material interest in the New Business Opportunities by the simple majority of the voting rights held by such Directors as to whether to pursue or decline the New Business Opportunity, our Directors who have a material interest in the New Business Opportunity shall abstain from voting. If the appointment of an independent financial advisor is required in relation to the transactions contemplated under the New Business Opportunity in accordance with the requirements under the Listing Rules, our Company shall appoint an independent financial advisor to advise on the terms of the transaction in the subject matter of such New Business Opportunity.

(iv) the relevant Covenantor may, at its absolute discretion, consider extending the Offer Notice Period as appropriate.

(v) subject to the paragraph (vi) below, the relevant Covenantor is entitled but not obliged to carry on, engage in, invest in, participate in or be interested (economically or otherwise) in the New Business Opportunity (whether individually or jointly with another person and whether directly or indirectly or on behalf of or to assist any other person) on the same, or less favorable, terms and conditions in all material respects as set out in the Offer Notice if:

(1) it has received a written notice from us declining the New Business Opportunity; or

(2) it has not received any written notice from us of our decision to pursue or decline the New Business Opportunity within 30 business days from our receipt of the Offer Notice, or any extended Offer Notice Period, in which case our Company shall be deemed to have declined the New Business Opportunity.

(vi) if there is a change in the nature or proposal of the New Business Opportunity pursued by the relevant Covenantor, it/he/she shall refer the New Business Opportunity as revised and shall provide to us details of all available information for us to consider whether to pursue the New Business Opportunity as revised.

Pre-emptive Rights

Each of the Covenantors has undertaken that, if, during the effective period of the Non-Competition Agreement, the Covenantor or its close associate(s) intend to transfer, sell, lease or license or otherwise transfer or license the following items to a third party:

(i) the existing business or interest of the Covenantor or its close associate(s);

(ii) Restricted Business; and/or

(iii) any New Business Opportunity retained by the Covenantor or any of its close associate pursuant to the Non-Competition Agreement,

our Group shall have the pre-emptive rights.

The Covenantors shall notify us by written notice (“**Selling Notice**”) in advance. The Selling Notice must be accompanied by the conditions, detailed description and all relevant and reasonable information available for our Company to consider whether to make an investment decision in respect of the existing business, New Business Opportunity or the interests thereof that the Covenantors or their close associates intend to transfer, sell, lease or license to a third party. We shall reply in writing to the Covenantors within 30 days after receiving the Selling Notice from the Covenantors, subject to compliance with applicable requirements under the Listing Rules. The Covenantors have undertaken that until they receive the reply from our Company, they shall not and shall procure their close associates not to notify any third party of the intention to transfer, sell, lease or license the business or the New Business Opportunity.

If our Company replies in writing to refuse to acquire the existing business, the New Business Opportunity or the interests thereof or fails to reply to the Covenantors in respect of the Selling Notice within the agreed time period, the Covenantors or their close associates are entitled to transfer, sell, lease or license the business or the New Business Opportunity to a third party pursuant to the same terms stipulated in the Selling Notice.

Further undertakings from the Covenantors

Pursuant to the Non-Competition Agreement, each of the Covenantors has further, irrevocably and unconditionally, collectively and individually, undertaken with us (for ourselves and as the trustee for the benefit of each member of our Group) that:

(i) each of the Covenantors shall provide and procure each of the Covenantors' close associates (other than members of our Group) to, when necessary and at least annually, within the period of the Non-Competition Agreement and in accordance with the provisions of any relevant laws, rules and regulations or any contractual obligations, provide all necessary information to our independent non-executive Directors for review, so that our independent non-executive Directors could review the compliance of the Non-competition Agreements by the Covenantors and their respective close associates (other than members of our Group) and enforce the Non-Competition Agreement;

(ii) each of the Covenantors shall issue an annual statement of compliance with the terms of the Non-Competition Agreement to us every year for making appropriate disclosure in our annual report;

(iii) each of the Covenantors agree and authorize us to disclose in our annual report or by way of an announcement regarding the decisions made by our independent non-executive Directors related to the review of matters in relation to the compliance and enforcement of the Non-Competition Agreement; and

(iv) each of the Covenantors will abstain from voting at any general meeting of our Company on matters contemplated in the Non-Competition Agreement and any matters that may exist or give rise to actual or potential conflicts of interest and will not be counted in the quorum.

The Non-Competition Agreement will remain in full force and will be terminated upon the occurrence of the following events, whichever is earlier:

(i) the Covenantors and any of their respective close associates (as the case may be) cease to control an aggregate of 30% or more of our total share capital in issue, regardless the interests being held directly or indirectly or otherwise; or

(ii) our H Shares ceases listing on the Stock Exchange (except for the temporary suspension of trading of our Shares).

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors consider that we are capable of carrying on our business independently from our Controlling Shareholders and their close associates after the Listing.

Management Independence

Our business is managed and conducted by our Board and senior management. Upon the completion of the Listing, our Board will comprise 13 Directors, including two executive Directors, six non-executive Directors and five independent non-executive Directors. For more details, please refer to the section headed "Directors, Supervisors and Senior Management" in this Listing Document.

As of the Latest Practicable Date, except for the following Directors, there was no other overlapping Director and senior management between our Group and our Controlling Shareholders and their close associates:

Name of Directors	Position(s) held in our Company	Position(s) held in our Controlling Shareholders and their close associates as of the Latest Practicable Date
Zhang Yushuai (張寓帥)	Non-executive Director	Executive director of Ruyuan Yuneng Electric
		Manager of Ruyuan Xinjing Technology
		Executive director and manager of Zhejiang HEC Health Pharmaceutical Co., Ltd* (浙江東陽光健康藥業有限公司)
		Chairman of the board of directors of Shenzhen HEC Industrial
		Director of Yichang HEC Medicine
		Executive director and manager of Shaoguan Xinyuneng Industrial

Name of Directors	Position(s) held in our Company	Position(s) held in our Controlling Shareholders and their close associates as of the Latest Practicable Date
		Executive Director and general manager of Shenzhen HEC Pharmaceutical
		Chairman of the board of directors of Shenzhen HEC Technology Venture Capital Co., Ltd* (深圳東陽光科技創業投資有限公司)
Tang Xinfa (唐新發)	Non-executive Director	Director and general manager of Shenzhen HEC Industrial
		Legal representative, manager and executive director of Guangdong HEC Trading Co., Ltd* (廣州陽之光貿易有限公司)
		Legal representative, chairman of the board and manager of Dongguan HEC Industrial Development Co., Ltd* (東莞市東陽光實業發展有限公司)
		Legal representative, executive director and manager of Yichang HEC Research
		Executive director and general manager of Linzhi HEC Pharmaceutical Research
		Executive director of Ruyuan Yao Autonomous County Taidong Pharmaceutical Co., Ltd* (乳源瑤族自治縣泰東藥業有限公司)
		Director of Yichang HEC Medicine

Name of Directors	Position(s) held in our Company	Position(s) held in our Controlling Shareholders and their close associates as of the Latest Practicable Date
		Legal representative, executive director and manager of Dongguan HEC Research
Zhu Yingwei (朱英偉)	Non-executive Director	Director and deputy general manager of Shenzhen HEC Industrial
		Executive director and manager of Dongguan HEC Industrial Development Co., Ltd* (東陽市東陽光實業發展有限公司)
		Legal representative and general manager of Yichang HEC Medicine

Mr. Zhang Yushuai, Mr. Tang Xinfa and Mr. Zhu Yingwei (collectively the "**Overlapping Directors**" and each, a "**Overlapping Director**"), all being our non-executive Directors, participate in making decisions on major issues such as the formulation of our overall development strategies and corporate operating strategies as members of our Board, but do not participate in the daily business operation and management of our Company. For further information on the skills, knowledge, expertise and experience of the Overlapping Directors, please refer to their respective biographical details as set out in the section headed "Directors, Supervisors and Senior Management" in this Listing Document.

We believe that our Directors and senior management are capable of performing their own duties in our Company independently from our Controlling Shareholders and our Company is capable of managing its business independently from our Controlling Shareholders after the Listing for the following reasons:

(i) the decision-making mechanism of our Board set out in the Articles includes provisions on avoiding conflicts of interest by providing, among other things, that in the event of a conflict of interest, such as considering any resolution on transaction or arrangement in which our Controlling Shareholders or any of their respective close associates has a material interest, such Directors who are connected with our Controlling Shareholders and the transactions shall abstain from voting and shall not be counted in the quorum. Such resolutions shall be passed by a simple majority of our Directors present at the meeting who are not connected with matters being considered;

(ii) all Overlapping Directors are non-executive Directors and they participate in decision-making on major issues such as the formulation of our overall development strategies and corporate operating strategies as members of our Board, but do not participate in the daily business operation and management of our Company. Our management team is different from that of our Controlling Shareholders and the daily operation and management of our Company is managed by our executive Directors and a group of experienced senior management members who have worked for our Group for a long time and are independent from our Controlling Shareholders and their respective close associates and are our full-time employees;

(iii) we have sufficient number of non-overlapping Directors. Our non-overlapping Directors possess extensive knowledge and experience in the industry and corporate management and many of whom have served in our Company for many years and therefore are familiar with the business operation and financial positions of our Group. In addition, at the reasonable request of our Directors, our Company may, if necessary, engage external experts (including but not limited to engaging financial advisers for providing financial advice, engaging industry consultant for providing overview of industry and latest industry trend, engaging accountants for providing accounting advice and engaging legal advisers to provide legal analysis) to provide support and advice to our Directors so as to enable them to make informed decisions at our Board meetings based on their background and knowledge;

(iv) our Directors are well aware of their fiduciary duties which, among other things, require he/she shall act for the benefit and in the best interest of our Company and not allow any conflict between his/her duties as a Director and his/her personal interests;

(v) our Company has appointed five independent non-executive Directors. These independent non-executive Directors were appointed in accordance with the requirements of the Listing Rules to ensure that the decision of our Board shall be made only after due consideration of independent and impartial advice. Our Directors believe that our independent non-executive Directors have sufficient knowledge, experience and capability to provide an independent opinion in the decision-making process of our Board to protect the interest of our Company and our Shareholders as a whole; and

(vi) we have adopted a series of corporate governance measures to manage the potential conflicts of interests between our Group and our Controlling Shareholders (if any), to ensure our management independence. For further details, please refer to the paragraph headed "Corporate Governance Measures" in this section.

On the basis of the above, our Directors are of the view that our Board and senior management team are capable of managing our business independently from our Controlling Shareholders and their close associates.

Operational Independence

Currently, we engage in our business independently with the independent right to make operational decisions and implement such decisions. We have our own access to customers and suppliers and are not dependent on our Controlling Shareholders with respect to supplies for our business operations.

We have our own organizational structure with independent departments, each with specific terms of reference. We have also maintained a set of comprehensive internal control procedures to facilitate the effective operation of our business. Our Company has also adopted a set of corporate governance manuals, including rules of procedures for Shareholders' general meeting, rules of procedures for our Board meeting, working system of independent Directors and the rules for connected transactions in accordance with relevant laws, rules and regulations.

In addition, we have obtained all relevant approval and licenses to conduct our business and also possess all relevant intellectual property and R&D facilities necessary for our business. We also own the necessary production and operating facilities relating to our business and have sufficient capital and employees to operate our business independently from our Controlling Shareholders.

Our Company has leased a state-of-the-art drug discovery and non-clinical research laboratory in Dongguan, the PRC, from Shenzhen HEC Industrial Group which adheres to the international standards, occupying a floor area of over 5,000 square metres, to support our in-house development of innovative drugs.

The salient terms of the lease agreements between our Company and Shenzhen HEC Industrial Group with respect to the state-of-the-art drug discovery and non-clinical research laboratory are as follows:

Parties:	(1) our Company (as lessee); and (2) Shenzhen HEC Formed Foil Co., Ltd.* (深圳市東陽光化成箔股份有限公司) (as lessor)
Expiry date:	December 31, 2028
Right of first refusal:	Upon the expiry of the lease, our Company has the right to extend the lease on the same terms as offered to any other third party by Shenzhen HEC Formed Foil Co., Ltd.
Payment terms:	our Company as the lessee shall pay rent of RMB807,516 per month, payable on a bi-annual basis to Shenzhen HEC Formed Foil Co., Ltd as the lessee

The rental charged by Shenzhen HEC Industrial Group from our Company is determined after arm's length negotiations by reference to the rent for the same type of property in the vicinity of the state-of-the-art drug discovery and non-clinical research laboratory.

For each of the years during the Track Record Period, our largest supplier is our connected person, namely Shenzhen HEC Industrial, which is one of our Controlling Shareholders. For details, please refer to the section headed "Business — Procurement of raw materials" in this Listing Document.

Notwithstanding the fact that our Group will continue to enter into certain continuing connected transactions with Shenzhen HEC Industrial Group (please refer to the section headed "Connected Transactions" in this Listing Document for details), our Directors are of the view that our Group is still capable of carrying out its business independently from our Controlling Shareholders upon completion of the Listing for the following reasons:

(i) while our Group is capable of producing APIs and intermediates, our Group still procures certain APIs and intermediates from Shenzhen HEC Industrial Group mainly because our Group is not the holder of the production approvals of the APIs and intermediates so procured from Shenzhen HEC Industrial Group and hence is unable to self-produce such APIs and intermediates. During the Track Record Period, the APIs and intermediates procured from Shenzhen HEC Industrial Group by our Group are used for the production of certain drugs, including our major product Clarithromycin. For each of the three years ended December 31, 2024, our Company purchased APIs from Shenzhen HEC Industrial Group at an amount of RMB96.3 million, RMB93.2 million and RMB130.4 million, respectively, accounting for 6.1%, 4.8% and 6.2% of the total purchase amount of our Group for respective periods. Given that the production and sales of pharmaceutical products of our Group will continue to grow in the future, which requires a large number of procurement of APIs from external parties, the procurement of APIs by our Group from external parties is expected to increase, and our Directors expect that the procurement of APIs by our Group from Shenzhen HEC Industrial Group will continue to constitute only a small portion of our total purchase amount. In addition, save for Clarithromycin, which constitutes 1.4%, 0.7% and 1.1% of our total revenue for the three years ended December 31, 2024, respectively, the APIs and intermediates procured from Shenzhen HEC Industrial Group were not used in the production of our major products. Furthermore, we have established collaborative relationships with independent third party suppliers for supplying us with relevant APIs;

(ii) for each of the three years ended December 31, 2024, our Company purchased packaging materials from Shenzhen HEC Industrial Group at an amount of RMB29.8 million, RMB44.1 million and RMB37.1 million, respectively, accounting for 1.9%, 2.3% and 1.8% of the total purchase amount of our Group for respective periods. There are sufficient alternative sources of packaging materials supplies in the market and we have established collaborative relationship with independent third party suppliers for supplying us with relevant packaging boxes and instructions;

(iii) for other products and services supplied to our Group by Shenzhen HEC Industrial Group, there are sufficient alternative sources accessible in the market. Our Group enters into the relevant connected transactions with Shenzhen HEC Industrial Group as Shenzhen HEC Industrial Group has good understanding of the needs of our Group through the mutual trust established between both parties during past cooperation, and the business cooperation arrangement is in the commercial interest of our Group; and

(iv) all connected transactions entered into between our Group and Shenzhen HEC Industrial Group are on normal commercial terms that are fair and reasonable and are no less favorable than terms available from Independent Third Parties.

Financial Independence

We have established our own finance department with a team of independent financial staff who are responsible to perform accounting, reporting, crediting and internal control functions of our Group independently. In addition, we have a sound and independent financial mechanism in place to make financial decision independently based on our own business needs. Our Company opens accounts with banks independently and does not share any bank account with our Controlling Shareholders.

During the Track Record Period, our Controlling Shareholders provided guarantees for our loans from different commercial banks and financial institutions. As of April 30, 2025, our outstanding borrowings guaranteed by our Controlling Shareholders in aggregate amounted to RMB4,440.5 million. For further details of our Controlling Shareholders' guarantees, please refer to the section headed "Connected Transactions – Fully Exempted Continuing Connected Transaction" of this Listing Document.

After our communication and negotiation with several banks, the relevant banks agreed to replace the guarantees provided by our Controlling Shareholders with our Company's guarantees upon the Listing Date and release the original guarantee obligations of our Controlling Shareholders for certain bank loans, the amount of which was RMB199 million as of April 30, 2025. Nevertheless, we are of the view that the early release of all guarantees provided by our Controlling Shareholders or refinancing such guarantees prior to the Listing is not in the best commercial interests of our Group and our Shareholders as a whole, as the release of the guarantees provided by our Controlling Shareholders or replacement of all the guarantees provided by our Controlling Shareholders with our Company's guarantees requires approval from multiple decision-making bodies within the relevant banks, the process of which is both cumbersome and time-consuming. As such, if our Group was to go through the formalities for the release or refinancing of all such guarantees, unnecessary additional costs, expenses and time would be incurred. In light of the above, and considering the insignificant impact of the guarantees provided by our Controlling Shareholders on our Group's overall financing capabilities and independence as demonstrated below, our Company has no intention to release all guarantees provided by our Controlling Shareholders prior to the Listing.

Our Directors believe that our Group is capable of operating financially independently from our Controlling Shareholders and their close associates for the following reasons:

(i) as of April 30, 2025, without any guarantee from our Controlling Shareholders or their close associates, independent commercial banks have made a legally binding, unconditional and irrevocable commitment to provide us with credit facilities in the total amount of RMB5,299.0 million, which is sufficient to cover the total outstanding borrowings guaranteed by our Controlling Shareholders. There are no restrictions on the use of such proceeds provided by these independent commercial banks;

(ii) we have been able to, and expect to be able to continue to, obtain debt financing from independent commercial banks and financial institutions without any financial assistance from our Controlling Shareholders or their close associates. During the Track Record Period, in addition to the loans guaranteed by our Controlling Shareholders, we could also obtain bank loans from independent commercial banks;

(iii) as the bank borrowings obtained by us which were guaranteed by our Controlling Shareholders were on normal commercial terms without more favorable interest rate terms as compared with other borrowings obtained from commercial banks without the guarantee of our Controlling Shareholders, and the guarantees provided by our Controlling Shareholders were normal commercial credit enhancement measures, we do not overly rely on our Controlling Shareholders; and

(iv) we are in a solid financial position. As of April 30, 2025, our cash and cash equivalents amounted to RMB1,302.1 million (excluding pledged amount (if any)), and such cash and cash equivalents can also be available to repay the outstanding borrowings guaranteed by our Controlling Shareholders if needed.

Our Directors confirm that, after the Listing, we expect that we will continue to be capable of operating our business with our operating income obtained from independent external sources without relying on our Controlling Shareholders

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance in protecting our Shareholders' interests. We have put in place sufficient and effective corporate governance measures to manage the conflicts of interest and potential competition from our Controlling Shareholders and safeguard the interest of our Shareholders, including:

(i) the decision-making mechanism of our Board of Directors in the Articles has included provisions to avoid conflicts of interest by requiring, among other things, that in the event of a conflict of interest, such as the consideration of a resolution in respect of a transaction or arrangement in which any Director or any of his/her close associates is materially interested, such Director interested in the transaction shall abstain from voting and shall not be counted in the quorum of the meeting;

(ii) our independent non-executive Directors will review, at least on an annual basis, whether there is any conflict of interest between our Group and our Controlling Shareholders and provide impartial and professional advice to protect the interests of our minority Shareholders;

(iii) our independent non-executive Directors will review, on an annual basis, the compliance with the Non-Competition Agreement by our Controlling Shareholders;

(iv) each of our Controlling Shareholders undertakes to provide all information required by our Company which is necessary for the annual review by our independent non-executive Directors. Our independent non-executive Directors may engage professional advisors at our Company's cost for advice on matters relating to the Non-Competition Agreement;

(v) our independent non-executive Directors will report their findings on the compliance by our Controlling Shareholders of the Non-Competition Agreement in our annual report;

(vi) our independent non-executive Directors may engage financial advisors or professional experts at our Company's cost for advice on as to whether exercise the pre-emptive rights under the Non-Competition Agreement;

(vii) our Company will disclose decisions on matters (if any) reviewed by our independent non-executive Directors (including our independent non-executive Directors' views and decisions (with basis) for accepting or declining any New Business Opportunities) and will confirm whether the undertakings in the Non-Competition Agreement have been performed in the annual reports of our Company or in the announcement under the Listing Rules;

(viii) where a Shareholders' general meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of their close associates has a material interest, our Controlling Shareholders shall abstain from voting on the resolutions and shall not be counted in the quorum in the voting;

(ix) our Company has an internal control mechanism in place to identify connected transactions. After the Listing, our Company will comply with the requirements in connection with connected transactions under the Listing Rules;

(x) we have appointed China Sunrise Capital Limited as our compliance advisor to provide us with advice and guidance in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance; and

(xi) we will establish the audit committee, remuneration and appraisal committee, and nomination committee prior to the Listing with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and their respective close associates and our Group and to protect the interests of our Shareholders, in particular, our minority Shareholders.

UNDERTAKINGS BY OUR CONTROLLING SHAREHOLDERS TO THE STOCK EXCHANGE PURSUANT TO THE LISTING RULES

Pursuant to Rule 10.07(1)(a) and (b) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that, it will not and shall procure that none of its respective close associates or the relevant registered holder(s) will, without the prior written consent of the Stock Exchange or unless otherwise permitted under the Listing Rules:

(a) at any time in the period commencing on the date by reference (the "**Reference Date**") to which disclosure of its shareholdings in our Company is made in this Listing Document and ending on the date which is six months from the Listing Date (the "**First Six Months**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it is shown by this Listing Document to be the beneficial owner; and

(b) at any time in the period of six months commencing on the date on which the First Six Months expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in Rule 10.07(1)(a) of the Listing Rules, if immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a controlling shareholder of our Company, provided that the above shall not prevent each of our Controlling Shareholders using securities of our Company beneficially owned by each of them as security (including a charge or a pledge) in favor of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong, the "**Banking Ordinance**") for a bona fide commercial loan.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has also undertaken to the Stock Exchange and our Company that, within the period commencing on the Reference Date and ending on the date which is 12 months from the Listing Date, it shall:

(i) when it pledges or charges any Shares beneficially owned by it in favor of an authorized institution (as defined in the Banking Ordinance) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company and the Stock Exchange of such pledge or charge together with the number of Shares so pledged or charged; and

(ii). when it receives indications, either verbal or written, from the pledgee or chargee of any of the pledged or Shares will be disposed of, immediately inform our Company and the Stock Exchange of such indications.

Our Company will inform the Stock Exchange as soon as it has been informed of the matters referred to in paragraphs (i) and (ii) above by our Controlling Shareholders and subject to the applicable requirements of the Listing Rules disclose such matters by way of an announcement.

So far as our Directors are aware, immediately following the completion of the Introduction and the Privatization, the following persons will have interests and/or short positions in our Shares or our underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of Shareholder	Nature of interest	Class of Shares	Approximate percentage of shareholding in the total share capital of our Company as of the Latest Practicable Date	Number of Shares directly or indirectly held	Approximate percentage of shareholding in the relevant class of Shares immediately following the completion of the Introduction and the Privatization	Approximate percentage of shareholding in the total share capital of our Company immediately following the completion of the Introduction and the Privatization
Yichang HEC Research(6) . . .	Beneficial owner	Domestic Shares	27.21%	126,238,500	27.21%	21.89%
Dongguan HEC Research(6) . . .	Interest of controlled corporation(1)	Domestic Shares	27.21%	126,238,500	27.21%	21.89%
Linzhi HEC Pharmaceutical Research(6) . . .	Interest of controlled corporation(1)	Domestic Shares	27.21%	126,238,500	27.21%	21.89%
Shenzhen HEC Pharmaceutical(6).	Interest of controlled corporation(1)	Domestic Shares	27.21%	126,238,500	27.21%	21.89%
Guangdong HEC Technology(6) . .	Beneficial owner	Domestic Shares	10.99%	50,989,649	10.99%	8.84%
	Beneficial owner(2)	H Shares	–	5,750,792	5.10%	1.00%
Shenzhen HEC Industrial(6) . . .	Interest of controlled corporation(1)(3)	Domestic Shares	38.20%	177,228,149	38.20%	30.73%
	Interest of controlled corporation(3)	H Shares	–	5,750,792	5.10%	1.00%
	Beneficial owner	Domestic Shares	15.68%	72,733,752	15.68%	12.61%
Ruyuan Yuneng Electric(6)	Interest of controlled corporation(4)	Domestic Shares	53.88%	249,961,901	53.88%	43.35%

Name of Shareholder	Nature of interest	Class of Shares	Approximate percentage of shareholding in the total share capital of our Company as of the Latest Practicable Date	Number of Shares directly or indirectly held	Approximate percentage of shareholding in the relevant class of Shares immediately following the completion of the Introduction and the Privatization	Approximate percentage of shareholding in the total share capital of our Company immediately following the completion of the Introduction and the Privatization
	Interest of controlled corporation[4]	H Shares	–	5,750,792	5.10%	1.00%
Shaoguan Xinyuneng Industrial[6] . . .	Interest of controlled corporation[4]	Domestic Shares	53.88%	249,961,901	53.88%	43.35%
	Interest of controlled corporation[4]	H Shares	–	5,750,792	5.10%	1.00%
Ruyuan Xinjing Technology[6] . .	Interest of controlled corporation[4]	Domestic Shares	53.88%	249,961,901	53.88%	43.35%
	Interest of controlled corporation[4]	H Shares	–	5,750,792	5.10%	1.00%
Ms. Guo[6].	Interest of controlled corporation[4]	Domestic Shares	53.88%	249,961,901	53.88%	43.35%
	Interest of controlled corporation[4]	H Shares	–	5,750,792	5.10%	1.00%
Yidu Shuaixinwei[6]. .	Beneficial owner	Domestic Shares	6.60%	30,607,250	6.60%	5.31%
Yidu Junjiafang[6] .	Beneficial owner	Domestic Shares	1.65%	7,651,813	1.65%	1.33%
Mr. Zhang[6]. . . .	Interest of controlled corporation[4][5]	Domestic Shares	62.12%	288,220,964	62.12%	49.98%
	Interest of controlled corporation[4]	H Shares	–	5,750,792	5.10%	1.00%

Notes:

(1) As of the Latest Practicable Date, Yichang HEC Research is owned as to 86.74% by Dongguan HEC Research, which is in turn owned as to 73.64% by Linzhi HEC Pharmaceutical Research, 2.11% by Shenzhen HEC Industrial and 6.93% by Ruyuan HEC Industrial, a non wholly-owned subsidiary of Shenzhen HEC Industrial. Linzhi HEC Pharmaceutical Research is owned as to 82.72% by Shenzhen HEC Pharmaceutical, which is in turn wholly-owned by Shenzhen HEC Industrial, 9.19% by Yidu HEC Industrial and 2.98% by Yichang HEC Medicine, each a non wholly-owned subsidiary of Shenzhen HEC Industrial, and 5.11% by Ruyuan Yuneng Electric. Therefore, each of Dongguan HEC Research, Linzhi HEC Pharmaceutical Research, Shenzhen HEC Pharmaceutical and Shenzhen HEC Industrial is deemed to be interested in all Shares held by Yichang HEC Research for the purpose of the SFO.

(2) Upon completion of the Introduction and the Privatization, Guangdong HEC Technology will hold 5,750,792 H Shares.

(3) As of the Latest Practicable Date, Shenzhen HEC Industrial, with its parties acting in concert, directly and indirectly controls an aggregate of 52.69% interest in Guangdong HEC Technology. Therefore, Shenzhen HEC Industrial is deemed to be interested in all Shares held by Guangdong HEC Technology for the purpose of the SFO.

(4) As of the Latest Practicable Date, Shenzhen HEC Industrial is owned as to 42.34% by Ruyuan Yuneng Electric, 27.01% by Shaoguan Xinyuneng Industrial, and 30.66% by Ruyuan Xinjing Technology. Shaoguan Xinyuneng Industrial is owned as to 58% and 42% by Ruyuan Yuneng Electric and Ruyuan Xinjing Technology, respectively. Ruyuan Yuneng Electric is in turn owned as to 71.75% by Ms. Guo (the mother of Mr. Zhang), 27.45% by Mr. Zhang, and 0.5% by Ruyuan Shuaicai Investment, a limited partnership established under the laws of the PRC with Mr. Zhang being its general partner and holding 90% interest therein. Ruyuan Xinjing Technology is in turn owned as to 74.63% by Ms. Guo and 0.37% by Mr. Zhang. Therefore, each of Ruyuan Yuneng Electric, Shaoguan Xinyuneng Industrial, Ruyuan Xinjing Technology, Ms. Guo and Mr. Zhang is deemed to be interested in all Shares which Shenzhen HEC Industrial is interested in for the purpose of the SFO.

(5) Mr. Zhang is the general partner of each of Yidu Shuaixinwei and Yidu Junjiafang. Therefore, Mr. Zhang is deemed to be interested in all Shares held by Yidu Shuaixinwei and Yidu Junjiafang for the purpose of the SFO.

(6) Mr. Zhang, Ms. Guo, Guangdong HEC Technology, Yichang HEC Research, Dongguan HEC Research, Linzhi HEC Pharmaceutical Research, Ruyuan HEC Industrial, Yidu HEC Industrial, Yichang HEC Medicine, Shenzhen HEC Pharmaceutical, Shenzhen HEC Industrial, Dongguan HEC Industrial, Zhejiang HEC Health, Ruyuan Yuneng Electric, Ruyuan Shuaicai Investment, Shaoguan Xinyuneng Industrial, Ruyuan Xinjing Technology, Yidu Junjiafang and Yidu Shuaixinwei are a group of our Controlling Shareholders, which as of the Latest Practicable Date and immediately before the Introduction and the Privatization, directly or indirectly control 62.12% of the voting rights of our Company. Immediately after the Introduction and the Privatization, they will directly or indirectly control 50.98% of the voting rights of our Company.

Save as disclosed herein, our Directors are not aware of any other persons who will, immediately following completion of the Introduction and the Privatization, have interests and/or short positions in our Shares or our underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company. Our Company is not aware of any arrangement which may result in any change of control in our Company at any subsequent date.

SHARE CAPITAL

This section presents certain information regarding the share capital of our Company following the completion of the Introduction and the Privatization.

Immediately before the Introduction

As of the Latest Practicable Date, the registered share capital of our Company was RMB463,943,215 divided into 463,943,215 Domestic Shares with a nominal value of RMB1.00 each.

Immediately after the Introduction and the Privatization

Immediately after the completion of the Introduction and the Privatization, the share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate percentage of registered share capital
Domestic Shares in issue	463,943,215	80.45%
H Shares to be issued under the Introduction	112,712,832	19.55%

OUR SHARES

Upon the completion of the Introduction and the Privatization, our Shares will consist of Domestic Shares and H Shares. Domestic Shares and H Shares are all ordinary Shares in the share capital of our Company, and are considered as one class of Shares.

Apart from certain qualified domestic institutional investors in the PRC, the qualified PRC investors under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities, H Shares generally cannot be subscribed for by or traded between legal or natural PRC persons.

Domestic Shares and H Shares will rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this Listing Document. All dividends for H Shares will be denominated and declared in Renminbi, and paid in Hong Kong dollars, whereas all dividends for Domestic Shares will be paid in Renminbi. Other than cash, dividends could also be paid in the form of Shares.

CONVERSION OF OUR DOMESTIC SHARES INTO H SHARES

According to the stipulations by the State Council's securities regulatory authority and the Articles, our unlisted Domestic Shares may be converted into H Shares, and such converted Shares may be listed or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted Shares, any requisite internal approval processes shall have been duly completed and the approval from or filing with the relevant PRC regulatory authorities, including the CSRC, shall have been obtained. In addition, such conversion, trading and listing shall in all respects comply with the regulations prescribed by the State Council's securities regulatory authority and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

If any of the Domestic Shares are to be converted, listed and traded as H Shares on the Stock Exchange, the filings with the relevant PRC regulatory authorities, including the CSRC, and the approval of the Stock Exchange are necessary for such conversion. Based on the methodology and procedures for the conversion of our unlisted Shares into H Shares as described in this section, we can apply for the listing of all or any portion of our unlisted Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of Shares for entry on the H Share register. As any listing of additional Shares after our Listing on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require such prior application for listing at the time of our Listing in Hong Kong.

No class Shareholder voting is required for the conversion of such Shares or the listing and trading of such converted Shares on an overseas stock exchange. Any application for listing of the converted Shares on the Stock Exchange after our initial listing is subject to prior notification by way of announcement to inform Shareholders and the public of any proposed conversion.

MECHANISM AND PROCEDURE FOR CONVERSION

After all the requisite filings have been completed and approvals have been obtained, the relevant Domestic Shares will be withdrawn from the Domestic Share register, and our Company will re-register such Shares on the H Share register maintained in Hong Kong and instruct the H Share Registrar to issue H Share certificates. Registration on the H Share register of our Company will be on the conditions that (i) the H Share Registrar lodges with the Stock Exchange a letter confirming the entry of the relevant H Shares on the H Share register and the due dispatch of H Share certificates; and (ii) the admission of the H Shares to be traded on the Stock Exchange complies with the Listing Rules and the General Rules of HKSCC and the HKSCC Operational Procedures in force from time to time. Until the converted Shares are re-registered on our H Share register, such Shares would not be listed as H Shares.

TRANSFER OF SHARES ISSUED PRIOR TO LISTING DATE

The PRC Company Law provides that in relation to the public offering of a company, the shares issued prior to the public offering shall not be transferred within a period of one year from the date on which the publicly offered shares are listed on any stock exchange. Accordingly, Shares issued by our Company prior to the Listing Date shall be subject to this statutory restriction and not be transferred within a period of one year from the Listing Date.

Our Directors, Supervisors and senior management shall declare their shareholdings in our Company and any changes in their shareholdings. Shares transferred by our Directors, Supervisors and senior management each year during their term of office shall not exceed 25% of their total respective shareholdings in our Company unless otherwise permitted by applicable laws and regulations. The Shares that the aforementioned persons held in our Company cannot be transferred within one year from the date on which the Shares are listed and traded on a stock exchange, nor within half a year after they leave their positions in our Company.

REGISTRATION OF SHARES NOT LISTED ON THE OVERSEAS STOCK EXCHANGE

According to the Guidelines for the "Full Circulation" Program for Domestic Unlisted Shares of H-Share Listed Companies (《H股公司境內未上市股份申請"全流通"業務指引》) announced by the CSRC, the domestic Shareholders of the Domestic Shares shall handle share transfer registration business in accordance with the relevant business rules of the China Securities Depository and Clearing Corporation Limited. Further, H-share companies should submit the relevant status reports to the CSRC within 15 days after the transfer registration with the China Securities Depository and Clearing Corporation Limited of the Domestic Shares involved in the application is completed.

SHAREHOLDERS' GENERAL MEETING

For details of circumstances under which our Shareholders' general meeting is required, see "Appendix V — Summary of the Articles of Association".

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements as of and for each of the years ended December 31, 2022, 2023 and 2024 and the accompanying notes, included in the Accountants' Report as set out in Appendix I to this Listing Document. Our financial information has been prepared in accordance with IFRS.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this Listing Document.

OVERVIEW

Founded in 2003, we are a pharmaceutical company with vertically integrated capabilities in research and development, production and commercialization of pharmaceuticals. We primarily focus on the three key therapeutic areas of infectious diseases, chronic diseases and oncology, which we believe have the greatest market potential and yet a significant degree of unmet clinical needs. As of December 31, 2024, we had established an extensive distribution network comprising 610 third-party distributors, covering all provinces of China as well as certain overseas markets. We have been selected as one of the TOP 20 companies in the "China Drug Research and Development Strength Ranking" (中國藥品研發實力排行榜) released by Yaozhi.com (藥智網) for seven consecutive years since 2017 and most recently in 2023 were successfully selected as one of the "Top 100 Competitive Enterprises in Chinese Pharmaceutical Industry" (全國醫藥工業競爭力百強榜) and ranked among the tier-one group of the "Top 100 Chinese Pharmaceutical Innovators" (中國醫藥創新企業100強) issued by Healthcare Executive Magazine (E藥經理人).

During the Track Record Period, most of our revenue was generated from our sales of Kewei (oseltamivir phosphate). We report our revenue by our major product lines, which include anti-infective drugs, chronic disease treatment drugs and others. Our revenue increased by 67.4% from RMB3,813.6 million in 2022 to RMB6,385.6 million in 2023. Our revenue then decreased by 37.1% to RMB4,018.9 million in 2024. Our loss for the year improved by 171.6% from RMB1,415.9 million in 2022 to a position of profit for the year of RMB1,013.9 million in 2023. Our profit for the year decreased by 97.6% to RMB24.8 million in 2024. Our adjusted net loss (non-IFRS measure) improved by 419.8% from RMB383.6 million in 2022 to a position of adjusted net profit (non-IFRS measure) of RMB1,227.0 million in 2023. Our adjusted net profit (non-IFRS measure) declined by 74.9% to RMB308.5 million in 2024.

BASIS OF PRESENTATION

The historical financial information has been prepared in accordance with all applicable IFRS as issued by the International Accounting Standards Board ("**IASB**"). The IASB has issued a number of new and revised IFRS. For the purpose of preparing the historical financial information, we have adopted all applicable new and revised IFRS to the Relevant Periods, except for any new standards or interpretations that are not yet effective before the accounting period beginning on January 1, 2024. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning January 1, 2024 are set out in Note 35 in Appendix I to this Listing Document. The historical financial information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that we believe are most significant to the preparation of our consolidated financial information. Our material accounting policies, which are important for you to understand our financial condition and results of operations, are set forth in detail in the Accountants' Report in Appendix I to this Listing Document.

The preparation of financial statements in conformity with IFRS requires our management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. We review our estimates and underlying assumptions on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Revenue and Other Income

We classify income as revenue when it arises from the sale of goods, the provision of services or the use by others of our assets under leases in the ordinary course of our business.

Further details of our revenue and other income recognition policies are as follows:

Revenue from Contracts with Customers

Revenue is recognized when control over a product or service is transferred to the customer, at the amount of promised consideration to which we are expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes.

The aggregated amount of the transaction price allocated to the remaining performance obligations under our existing contract mainly related to our license transfer contract. The remaining performance obligations are expected to be recognized as revenue in the future performance period according to the corresponding drug research and development progress.

Sale of Goods

Revenue is recognized once the products delivered to the location designated by the distributor and accepted as the control of the goods are considered to have been transferred to the distributor. Payment terms and conditions vary by customers and are based on the billing schedule established in the contracts or purchase orders with customers, but we generally provide credit terms to customers within six months upon customer acceptance. We take advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component as the period of financing is 12 months or less.

We typically offer sales rebates to customers when their purchase amount or settlement amount during the period reaches certain agreed thresholds. Such rights of sales rebates give rise to variable consideration. We calculate variable consideration according to the rebate bases and the rebate ratios which are stipulated in the sales contracts. At the time of sale of goods, we recognize revenue after taking into account the adjustment to transaction price arising from the aforementioned sales rebates.

Revenue from Other Sources and Other Income

Interest Income

Interest income is recognized as it accrues using the effective interest method. For financial assets measured at amortized cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortized cost (i.e. gross carrying amount net of loss allowance) of the asset.

Government Grants

Government grants are recognized in the statements of financial position initially when there is reasonable assurance that they will be received and that we will comply with the conditions attaching to them. Grants that compensate us for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate us for the cost of an asset are recognized initially as deferred income and amortized to profit or loss on a straight-line basis over the useful life of the asset by way of recognized in other income.

Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses:

– Plant and buildings held for own use which are situated on leasehold land; and

– Other items of property, plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labor and the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs.

Construction in progress is transferred to respective items under property, plant and equipment when it is ready for its intended use. No depreciation is provided against construction in progress.

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognized in profit or loss.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write-off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

– Plant and buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion

– Machinery 5 - 15 years

– Motor vehicles 5 - 10 years

– Office equipment and others 5 - 15 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Intangible Assets (other than Goodwill) and Research and Development Expenses

Expenditure on research activities is recognized as an expense in the period in which it is incurred. Expenditure on development activities is capitalized if the product or process is technically and commercially feasible and if we have sufficient resources and the intention to complete development. The expenditure capitalized includes the costs of materials, direct labor, and an appropriate proportion of overheads. Other development expenditure is recognized as an expense in the period in which it is incurred.

Development cost under intangible assets is transferred to respective items under intangible assets when it is ready for its intended use. No amortization is provided against development cost.

Other intangible assets that are acquired by us are stated at cost less accumulated amortization (where the estimated useful life is finite) and impairment losses. Expenditure on internally generated goodwill and brands is recognized as an expense in the period in which it is incurred.

Amortization of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortized from the date they are available for use and their estimated useful lives are as follows:

– Patents 10 - 13 years

– Generic drug intellectual property rights 10 years

Both the period and method of amortization are reviewed annually.

Intangible assets are not amortized while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortization of intangible assets with finite lives as set out above.

Lease Assets

At the inception of a contract, we assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), we have elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, we recognize a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When we enter into a lease in respect of a low-value asset, we decide whether to capitalize the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalized are recognized as an expense on a systematic basis over the lease term.

Where the lease is capitalized, the lease liability is initially recognized at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortized cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognized when a lease is capitalized is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses. The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortized cost. Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in our estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether we will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of IFRS 16, *Leases*. In such cases, we have taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognized the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

For sale and leaseback transactions, we consider whether the initial transfer of the underlying asset to the buyer-lessor is a sale. We apply IFRS 15 to determine whether a sale has taken place.

When the transfer to buyer-lessor is a sale, we derecognize the underlying asset and applies the lessee accounting model to the leaseback — we measure the right-of-use asset at the retained portion of the previous carrying amount (i.e. at cost), and recognize only the amount of any gain or loss related to the rights transferred to the lessor.

When the transfer to buyer-lessor is not a sale, we continue to recognize the underlying asset, and recognize a financial liability for any amount received from the buyer-lessor.

Critical Accounting Estimates and Judgments

The key sources of estimation uncertainty and critical accounting judgments in applying our accounting policies are described below.

Impairments

In considering the impairment losses that may be required for certain property, plant and equipment, intangible assets, goodwill, interests in leasehold land held for own use and prepayment, the recoverable amount of these assets needs to be determined. The recoverable amount is the greater of the fair value less costs of disposal and the value in use. It is difficult to precisely estimate the fair value less costs of disposal because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgment relating to items such as level of revenue and amount of operating costs. We use all readily available information in determining an amount that is reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as revenue and operating costs.

We estimate the loss allowances for trade receivables by assessing the ECLs. This requires the use of estimates and judgments. ECLs are based on our historical credit loss experience, adjusted for factors that are specific to the debtors, and an assessment of both the current and forecast general economic conditions at the end of reporting period. Where the estimation is different from the original estimate, such difference will affect the carrying amounts of trade receivables and thus the impairment loss in the period in which such estimate is changed. We keep assessing the expected credit loss of trade receivables during their expected lives.

We follow the guidance of IAS 36 to determine when impairment indicators exist for its property, plant and equipment, right-of-use assets, intangible assets and goodwill. Except for certain intangible assets and goodwill, it was determined that no impairment indicators existed as of December 31, 2022, 2023 and 2024.

Development Costs

Development costs are capitalized in accordance with the accounting policy for research and development ("**R&D**") costs in Note 2(h) to the Accountants' Report set out in Appendix I to this Listing Document. Critical judgment by our management is applied when deciding whether the recognition requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgments are based on the best information available at the end of the reporting period. In addition, all internal activities related to the R&D of new products are continuously monitored by our management.

Capitalized development costs represent internal development costs capitalized by pharmaceutical products as follows:

	As of December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Oloriglifozin	113,446	149,165	209,218
Larotinib	83,016	113,379	125,521
Insulin Degludec	49,917	80,150	91,625
Antaitavir	55,334	69,914	76,754

	As of December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Liraglutide	38,742	45,023	45,669
Clifutinib	–	44,325	93,157
Emitasvir phosphate follow-up compounds	40,315	40,315	40,315
Insulin Degludec/Insulin Aspart	–	13,250	43,603
Combination therapy with Emitasvir Phosphate and Furaprevir	151,913	–	–
Insulin	94,344	–	–
	627,027	555,521	725,862

Impairment Test for Capitalized Development Costs (other than Emitasvir and Furaprevir Combination Therapy Asset Group)

We have determined CGUs at each product level. The estimated revenue of each drug is based on management's expectations of timing of commercialization. The costs and operating expenses are estimated as a percentage over the revenue forecast period based on the current margin levels of comparable companies with adjustments made to reflect the expected future price changes. The discount rates used are pre-tax and reflect the general business and market risk of our Group. The discount rates are derived from capital asset pricing model by taking applicable market data into account, such as risk free rate, market premium, beta, company specific risk and size premium, etc.

Cash flow projections were based on financial budgets approved by our management covering 11 to 22 years which consist of development periods up to 2 years, commercialized periods, including growth and mature periods, and declining periods, reflecting the periods when the drugs reach the patent protection period of 20 years. The cash flow projection periods cover the entire patent protection periods, taking into account the expected timing of commercialization, market size and penetration of related products.

The key assumptions used for value-in-use amount calculations as of December 31, 2022, 2023 and 2024 are as follows:

	As of December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Olorigliflozin			
Discount rate	20.81%	23.67%	22.55%
Revenue growth rate	-43.00% to 208.00%	-45.00% to 185.00%	-45.00% to 174.00%
Recoverable amount of CGU	779,000	862,000	1,045,000
Larotinib			
Discount rate	14.29%	12.92%	12.77%
Revenue growth rate	-30.00% to 1,744.64%	-30.00% to 1,744.64%	-30.00% to 7,493.77%
Recoverable amount of CGU	460,759	697,025	584,822
Insulin Degludec			

	As of December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Discount rate	12.95%	11.33%	10.81%
Revenue growth rate	-10.00% to 84.97%	-10.00% to 84.97%	-19.29% to 269.94%
Recoverable amount of CGU	454,340	717,946	249,924
Antaitavir			
Discount rate	11.52%	10.87%	10.49%
Revenue growth rate	-81.85% to 359.13%	-62.00% to 184.00%	-52.47% to 411.16%
Recoverable amount of CGU	421,335	1,288,184	1,199,127
Liraglutide			
Discount rate	22.36%	21.60%	20.51%
Revenue growth rate	-44.00% to 202.00%	-48.00% to 138.00%	-50.00% to 116.00%
Recoverable amount of CGU	179,000	113,000	71,000
Clifutinib			
Discount rate	NA	12.92%	12.77%
Revenue growth rate	NA	-30.00% to 312.81%	-30.00% to 76.72%
Recoverable amount of CGU	NA	233,675	336,716
Emitasvir phosphate follow-up compounds			
Discount rate	11.52%	10.87%	10.49%
Revenue growth rate	-81.85% to 359.13%	-61.81% to 183.98%	-52.47% to 411.16%
Recoverable amount of CGU	446,770	1,301,263	1,209,201
Insulin Degludec/Insulin Aspart			
Discount rate	NA	11.33%	10.81%
Revenue growth rate	NA	-10.00% to 84.97%	-10.00% to 84.97%
Recoverable amount of CGU	NA	673,723	126,665
Combination therapy with Emitasvir Phosphate and Furaprevir			
Discount rate	12.81%	NA	NA
Revenue growth rate	-89.11% to 115.22%	NA	NA
Recoverable amount of CGU	425,057	NA	NA
Insulin			
Discount rate	11.72%	NA	NA
Revenue growth rate	0.00% to 228.41%	NA	NA
Recoverable amount of CGU	1,367,291	NA	NA

Sensitivity Analysis

We performed sensitivity tests by increasing 1% of the discount rate or decreasing 5% of the revenue growth rate, which are the key assumptions for determining the recoverable amounts of the CGUs, with all other variables held constant. The impacts on the amounts by which the CGU's recoverable amount exceeds its carrying amount (headroom) are as below:

	As of December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Oloriglifiozin			
Carrying amount	113,446	149,165	209,218
Headroom	665,554	712,835	835,782
Impact by Increasing 1% of discount rate	(60,000)	(60,000)	(49,000)
Impact by decreasing 5% of revenue growth rate	(253,000)	(336,000)	(220,000)
Larotinib			
Carrying amount	83,016	113,379	125,521
Headroom	377,743	583,646	459,301
Impact by Increasing 1% of discount rate	(43,894)	(54,065)	(39,700)
Impact by decreasing 5% of revenue growth rate	(25,644)	(37,156)	(31,337)
Insulin Degludec			
Carrying amount	49,917	80,150	91,625
Headroom	404,423	637,796	158,299
Impact by Increasing 1% of discount rate	(50,531)	(66,325)	(20,043)
Impact by decreasing 5% of revenue growth rate	(24,430)	(36,320)	(12,645)
Antaitavir			
Carrying amount	55,334	69,914	76,754
Headroom	366,001	1,218,270	1,122,373
Impact by Increasing 1% of discount rate	(16,240)	(65,751)	(52,835)
Impact by decreasing 5% of revenue growth rate	(32,049)	(95,805)	(89,518)
Liraglutide			
Carrying amount	38,742	45,023	45,669
Headroom	140,258	67,977	25,331
Impact by Increasing 1% of discount rate	(10,000)	(8,000)	(5,000)
Impact by decreasing 5% of revenue growth rate	(39,000)	(41,000)	(17,000)
Clifutinib			
Carrying amount	NA	44,325	93,157
Headroom	NA	189,350	243,559
Impact by Increasing 1% of discount rate	NA	(23,912)	(26,943)

	As of December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Impact by decreasing 5% of revenue growth rate	NA	(15,114)	(19,652)
Emitasvir phosphate follow-up compounds			
Carrying amount	40,315	40,315	40,315
Headroom	406,455	1,260,948	1,168,886
Impact by Increasing 1% of discount rate	(16,448)	(65,810)	(52,881)
Impact by decreasing 5% of revenue growth rate	(32,035)	(95,805)	(89,518)
Insulin Degludec/Insulin Aspart			
Carrying amount	NA	13,250	43,603
Headroom	NA	660,473	83,062
Impact by Increasing 1% of discount rate	NA	(385,151)	(11,170)
Impact by decreasing 5% of revenue growth rate	NA	(36,735)	(7,186)
Combination therapy with Emitasvir Phosphate and Furaprevir			
Carrying amount	151,913	NA	NA
Headroom	273,144	NA	NA
Impact by Increasing 1% of discount rate	(15,031)	NA	NA
Impact by decreasing 5% of revenue growth rate	(66,786)	NA	NA
Insulin			
Carrying amount	1,285,246	NA	NA
Headroom	82,045	NA	NA
Impact by Increasing 1% of discount rate	(197,243)	NA	NA
Impact by decreasing 5% of revenue growth rate	(401,063)	NA	NA

Considering there was still sufficient headroom based on the assessment, we believe that a reasonably possible change in any of the key assumptions on which we have based our determination of each CGU's recoverable amount would not cause its carrying amount to exceed its recoverable amount.

Recognition of Deferred Tax Assets

Deferred tax assets in respect of tax losses carried forward and deductible temporary differences are recognized and measured based on the expected manner of realization or settlement of the carrying amount of the relevant assets and liabilities, using tax rates enacted or substantively enacted at the end of each reporting date. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to our operating environment and requires a significant level of judgment exercised by the directors. Any change in such assumptions and judgment would affect the carrying amounts of deferred tax assets to be recognized and hence the net profit in future years.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial condition have been, and are expected to continue to be, affected by a number of factors, many of which may be beyond our control. A discussion of the most significant factors affecting our results of operations and financial condition are as follows.

Market Demand for Our Products in the PRC and Overseas

We generate substantially all of our revenue in the PRC. Our financial results have been driven in part by the rapid growth of the PRC pharmaceutical market in recent years. Our revenue experienced rapid growth from 2022 to 2023. Our revenue increased by 67.4% from RMB3,813.6 million in 2022 to RMB6,385.6 million in 2023. Our revenue then decreased by 37.1% to RMB4,018.9 million in 2024 primarily due to a decrease in the sales volume of Kewei (oseltamivir phosphate) as a result of a lower incidence of seasonal flu outbreaks in 2024.

With our existing portfolio of products and our strong pipeline of future products, we believe that we are well positioned to take advantage of the expected fast growth of the pharmaceutical market in the PRC through our focus on key therapeutic areas of infectious diseases, chronic diseases and oncology. Market demand for our products is and will be subject to a number of factors, including but not limited to consumer perception of our brand and similar products offered by our competitors, the success of our marketing and educational promotion activities, inclusion of our products in the relevant medical insurance catalogues, sales performance of our distributors, levels of disposable income and healthcare spending and changes in the regulatory environment in the PRC.

In addition, we plan to continue expanding our overseas operations and therefore expect our financial results in the future to be increasingly driven by the results of our overseas operations. Our overseas sales network currently covers eight countries and regions, including the United States, Germany and the United Kingdom. In the future, we plan to expand our overseas sales network to Africa and Latin America, forming the sales capacities covering all five continents. This is in turn dependent on our ability to understand and adapt to local conditions including distinct consumer demands, economic conditions and the regulatory environment in each of these markets, our cooperation with local distributors and our management of our self-operated platform specifically in the German market.

Centralized Tender Process and VBP Schemes in the PRC

A substantial portion of the products we sell to distributors are on-sold to public hospitals and other public medical institutions in the PRC. Most pharmaceuticals used by public hospitals and medical institutions in the PRC need to be purchased through VBP schemes. We submit bids in a centralized tender process to supply our products to these institutions at specified prices. These bids are generally considered on the basis of, among other things, price competitiveness, product quality, clinical effectiveness, as well as qualifications and reputation of the manufacturer. If we are successful in winning bids in a centralized tender process, the relevant products will be sold to the public medical institutions at the bid prices, which in part determine the prices at which we sell our products to our distributors. The centralized tender process can create pricing pressure among substitute products or products that are perceived to be substitute products. Our bidding strategy generally focuses on differentiating our products from those of our competitors instead of competing solely based on pricing. Therefore, our sales volumes and profitability depend on our ability to successfully differentiate our products from competing products and price our bids in a manner that enables us to succeed in the centralized tender processes at profitable levels. We believe each of our major products had competitive advantages in the centralized tender processes during the Track Record Period as a result of them being first-to-market generic pharmaceuticals, and their national-level brand recognitions. Please see “Business — Sales, Marketing and Distribution — Centralized Tender Process and VBP Schemes” for further details.

If we are unable to differentiate our products or are otherwise unsuccessful in winning future bids in the centralized tender processes at profitable levels, we will lose revenue that would have otherwise been realized through the sale of products to the relevant PRC public hospitals. In November 2018, the PRC government launched a pilot program for centralized drug procurement organized by the state《國家組織藥品集中採購試點方案》. The implementation of this program has resulted in increased pricing pressure on us and may further impact our strategies on how to commercialize our products in the PRC and how to best compete in the centralized tender processes. Please see “Risk Factors — Risks Relating to Our Business and Industry — If we are unable to win bids through the centralized tender processes conducted by PRC authorities, we will lose market share and our revenue and profitability may be adversely affected” for further details.

Government-Sponsored Medical Insurance Programs in the PRC

Under the medical insurance programs in the PRC, patients are entitled to reimbursement of all or a portion of the cost of pharmaceutical products listed in the NRDL, the provincial medical insurance catalogues or critical illness medical insurance catalogues at provincial or local levels. Consequently, the inclusion or exclusion of a pharmaceutical product in or from any of these medical insurance programs will significantly affect the demand for such product in the PRC.

As of the Latest Practicable Date, all of our major products were included in the NRDL. For details on our major products and revenue during the Track Record Period, please see “Business — Our Products and Product Candidates”.

While the inclusion of a pharmaceutical product in these national, provincial or other government-sponsored medical insurance programs can significantly increase the demand and potentially sales volume, pharmaceuticals so included are subject to relevant pricing regulation and face pricing pressure in the centralized tender process.

On balance, we believe the overall benefits of inclusion of our pharmaceutical products in the national, provincial or other government-sponsored medical insurance programs in the PRC significantly outweighed the associated costs during the Track Record Period, and we believe the benefits of such inclusion will continue to contribute to our business growth in the foreseeable future.

Development and Commercialization of Our Products Under Development

We have a broad portfolio of commercialized products and pipeline of future products in various fast-growing therapeutic areas, including of infectious diseases, chronic diseases and oncology. As of the Latest Practicable Date, this portfolio included 150 approved drugs in various countries and regions, including China, the United States and Europe. As of the Latest Practicable Date, we also had more than 100 drug candidates in the pipeline, including 49 Class I innovative drug candidates in China, among which one innovative drug candidate was under the NMPA's review for launching and ten innovative drug candidates were in Phases II or Phases III clinical trials. Please see "Business — Drug Portfolio" for a list of upcoming major products in our pipeline.

Our business and results of operations will be dependent on our ability to successfully develop such drugs under development. This in turn depends on the drugs under development demonstrating favorable safety and efficacy in clinical trial results, and our ability to obtain the requisite regulatory approvals for our drugs under development to initiate clinical trials, or to advance to the next stage of clinical development. Whether our drugs under development can demonstrate favorable safety and efficacy in clinical trial results, and whether we can obtain the requisite regulatory approvals for our drugs under development in time, are crucial for our business and results of operations.

Furthermore, our business and results of operations also depend on our ability to commercialize our drugs under development. Our ability to generate revenue from our drugs under development is dependent on our ability to establish manufacturing capabilities and sales channels and undertake extensive sales and marketing efforts. We believe that our commercialization capabilities will continue to be robust given our deep expertise in sales and marketing of new drugs under development and our sales and distribution network.

However, if we fail to achieve the degree of market acceptance, we may not be able to generate revenue as expected. Please see "Risk Factors — Risks Relating to Our Business and Industry" for further details of the risks relating to the commercialization of our drugs under development.

Operational Efficiency

Our results of operations have been and are expected to be significantly affected by our ability to control and optimize our operating expenses, which primarily consisted of distribution costs, research and development costs and administrative expenses during the Track Record Period.

Our distribution costs primarily consisted of labor costs and promotion expenses and amounted to RMB1,244.2 million, RMB1,577.1 million and RMB1,197.0 million for the years ended December 31, 2022, 2023 and 2024, respectively, accounting for 32.6%, 24.7% and 29.8% of our total revenue, respectively. Our research and development costs primarily consisted of direct material and labor costs and clinical trial and outsourcing fees, and amounted to RMB791.6 million, RMB827.4 million, and RMB887.7 million for the years ended December 31, 2022, 2023 and 2024, accounting for 20.8%, 13.0%, and 22.1% of our total revenue, respectively. Our administrative expenses primarily consisted of labor costs and general operating expenses and amounted to RMB387.9 million, RMB480.7 million and RMB557.1 million for the years ended December 31, 2022, 2023 and 2024, accounting for 10.2%, 7.5% and 13.9% of our total revenue, respectively. The increase in each of our distribution costs, administrative expenses and research and development costs from 2022 to 2023, and the corresponding decrease in the percentage of such costs and expenses against our total revenue for the respective years from 2022 to 2023 reflect the steady increase in our revenue and an improvement in our operating efficiency from 2022 to 2023. The decrease in our distribution costs in 2024 compared to that in 2023 and the increase in the percentage of our distribution costs against our total revenue for the same period were primarily attributable to a decrease in our promotional activities for anti-infective drugs as a result of a lower incidence of seasonal flu outbreaks in 2024. The increase in our administrative expenses in 2024 compared to that in 2023 and the increase in the percentage of our administrative expenses against our total revenue for the same period were primarily due to an increase in labor costs as a result of an increase in share-based payment costs to our Directors, senior management and administrative personnel in 2024 pursuant to our equity incentive plan. The increase in our research and development costs in 2024 compared to that in 2023 and the increase in the percentage of our research and development costs against our total revenue for the same period were primarily due to increases in (i) labor costs as a result of an increase in share-based payment costs to our research and development personnel in 2024 pursuant to our equity incentive plan and (ii) direct materials as we consumed more materials in connection with the process optimization of our insulin products and for the research and development of our major drug candidates such as Dongjiandi (Yinfenidone Hydrochloride), Guangjianbao (HEC88473), HEC169584, HECN30227 and HEC191834.

We expect our operating expenses to remain a core part of our cost structure and to increase in absolute amount in the future to support our business expansion. In particular, we expect our research and development costs to increase as we continue to expand our research and development capabilities and in particular, undertake more Phase II and Phase III clinical trials. Our future results of operations are also expected to be affected by our Privatization Proposal. The Privatization Proposal will enable us to promote the integrated management of our whole industrial chain of research and development, production and sales, which would then allow us to further capitalize on the scale effect and synergies to realize significant overall cost efficiencies after the completion of our Privatization Proposal.

RESULTS OF OPERATIONS

The table below sets out our consolidated statements of profit or loss and other comprehensive income for the years ended December 31, 2022, 2023 and 2024, which are extracted from the Accountants' Report as set out in Appendix I to this Listing Document.

	Year ended December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	3,813,566	6,385,616	4,018,905
Cost of sales	(891,377)	(1,308,568)	(960,274)
Gross profit	2,922,189	5,077,048	3,058,631
Other (losses)/income	(1,294,012)	(422,669)	89,743
Distribution costs	(1,244,177)	(1,577,083)	(1,197,046)
Administrative expenses	(387,872)	(480,720)	(557,116)
Research and development costs	(791,642)	(827,415)	(887,653)
Reversals/(recognition) of impairment loss on trade and other receivables	2,575	(3,079)	(126,011)
(Loss)/profit from operations	(792,939)	1,766,082	380,548
Finance costs	(686,884)	(380,591)	(239,787)
Share of (loss)/profit of an associate	–	(29)	293
(Loss)/profit before taxation	(1,479,823)	1,385,462	141,054
Income tax	63,908	(371,584)	(116,251)
(Loss)/profit for the year	(1,415,915)	1,013,878	24,803
(Loss)/profit for the year attributable to:			
Equity shareholders of the Company	(1,209,205)	184,924	(207,434)
Non-controlling interests	(206,710)	828,954	232,237
(Loss)/profit for the year	(1,415,915)	1,013,878	24,803
(Loss)/earnings per share			
Basic and diluted (in RMB)	(3.29)	0.44	(0.47)

NON-IFRS MEASURE

To supplement our consolidated statements of profit or loss and other comprehensive expenses which are presented in accordance with IFRS, we also use adjusted net (loss)/profit as a non-IFRS measure, which is not required by, or presented in accordance with, IFRS. We believe that the presentation of the non-IFRS measure when shown in conjunction with the corresponding IFRS measures provides useful information to management and investors in facilitating a comparison of our operating performance from year to year. In particular, the non-IFRS measure eliminates impact of certain expenses, including fair value change on derivative financial instruments embedded in convertible bonds, equity-settled share-based payment expenses, interest on financial instruments with preferential rights issued to investors and listing and privatisation expenses. Such non-IFRS measure allows investors to consider metrics used by our management in evaluating our performance.

We define adjusted net (loss)/profit (non-IFRS measure) as (loss)/profit for the year adjusted by adding back loss from fair value change on derivative financial instruments embedded in convertible bonds, equity-settled share-based payment expenses, interest on financial instruments with preferential rights issued to investors and listing and privatisation expenses. Fair value change on derivative financial instruments embedded in convertible bonds are expenses arising from fair value change on the derivative component of our convertible bonds issued due to exchange rate and share price fluctuations. We no longer recognize such liabilities as of July 31, 2023, because we had fully repurchased the outstanding portion of our convertible bonds issued by HEC CJ Pharm in July 2023. Equity-settled share-based payment expenses are expenses arising from granting restricted shares to selected employees, senior management, and directors, the amount of which is non-cash in nature. Interest on financial instruments with preferential rights issued to investors represents the interest on the redemption amount pursuant to a series of investment agreements and equity transfer agreements entered into with our Pre-Listing Investors from July 2020. We no longer recognize such liabilities as of March 31, 2022, because each of our then Pre-Listing Investors provided a confirmation to our Company and our subsidiaries that are subject to the redemption rights in March 2022, pursuant to which in writing that they had waived their redemption rights against our Company and the involved subsidiaries, and as a result of which such rights were terminated on the same date. Listing and privatisation expenses are the expenses arising from activities in relation to the proposed Listing and Privatisation and are excluded from our (loss)/profit for the year.

The use of the non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for, or superior to, analysis of our results of operations or financial condition as reported under IFRS. In addition, the non-IFRS financial measure may be defined differently from similar terms used by other companies and therefore may not be comparable to similar measures presented by other companies.

The following table shows reconciliation from our (loss)/profit for the years to our adjusted net (loss)/profit (non-IFRS measure) for the year indicated:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
(Loss)/profit for the year	(1,415,915)	1,013,878	24,803
Adjusted for:			
Equity-settled share-based payment expenses	–	130,278	266,545
Interest on financial instruments with preferential rights issued to investors	172,715	–	–
Fair value change on derivative financial instruments embedded in convertible bonds	859,569	79,796	–
Listing and privatisation expenses	–	3,000	17,191
Adjusted net (loss)/profit for the year (Non-IFRS measure)	(383,631)	1,226,952	308,539

Our adjusted net loss or profit for the year (non-IFRS measure) generally fluctuated in line with our revenue. In particular, we recorded adjusted net loss for the year (non-IFRS measure) of RMB383.6 million in 2022, primarily due to (i) our loss for the year of RMB1,415.9 million as a result of the lower than usual sales volume of Kewei (oseltamivir phosphate) in 2022 due to travel restrictions, social-distancing measures and business closures which significantly reduced the movement of people and increased widespread preventive measures against influenza, which resulted in a significant decline in the incidence of respiratory diseases such as influenza, (ii) non-recurring items including (a) interest on convertible bonds issued by HEC CJ Pharm of RMB257.3 million, which were fully repurchased in July 2023, (b) net foreign exchange loss of RMB239.8 million arising from the translation of convertible bonds issued by HEC CJ Pharm denominated in US dollars, (c) impairment loss of RMB43.0 million on intangible assets in connection with the Combination Therapy, which was impaired due to delayed development timelines in 2022 and (d) impairment loss of RMB75.9 million on goodwill in connection with the acquisition of Dongguan HEC Medical for the R&D, production and sales of the Combination Therapy; the goodwill was fully impaired in 2023 due to delays in the development of the Combination Therapy and increased market competition and (iii) recurring impairment loss on generic drugs intellectual property rights of RMB147.4 million in 2022 due to certain under-performing generic drugs as a result of lower-than-expected sales or delayed development timelines in 2022, including Clarithromycin Tablets, Olanzapine Tablets, Azithromycin Tablets and Esomeprazole Magnesium Enteric-Coated Capsules.

DESCRIPTION OF KEY STATEMENTS OF PROFIT OR LOSS ITEMS

Revenue

Our revenue consists primarily of sales of anti-infective drugs, chronic disease treatment drugs and others.

Revenue by Major Product Lines

The table below sets forth, for the years indicated, a breakdown of our revenue derived from our major product lines:

	Year ended December 31,					
	2022		2023		2024	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
Anti-infective drugs	3,242,508	85.0	5,745,811	90.0	2,797,632	69.6
Chronic disease treatment drugs	517,258	13.6	580,743	9.1	1,067,707	26.6
Others[1]	53,800	1.4	59,062	0.9	153,566	3.8
Total	3,813,566	100.0	6,385,616	100.0	4,018,905	100.0

Note:

(1) Others comprise (i) revenue from sales of drugs that were not anti-infective drugs or chronic disease treatment drugs, mainly including tadalafil and sildenafil, (ii) transfer and license fee we received pursuant to the HEC88473 Agreement with Apollo, and to a lesser extent, (iii) rental revenue generated from the leasing of fixed assets and (iv) revenue from the disposal of surplus construction materials.

Revenue by Geographical Location

The table below sets forth, for the years indicated, a breakdown of our revenue by geographical location:

	Year ended December 31,					
	2022		2023		2024	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
The PRC	3,753,159	98.4	6,335,896	99.2	3,880,476	96.6
Overseas[1]	60,407	1.6	49,720	0.8	138,429	3.4
Total	3,813,566	100.0	6,385,616	100.0	4,018,905	100.0

Note:

(1) Overseas countries comprise the United States, Germany, the United Kingdom, Malaysia, Algeria, South Africa and the United Arab Emirates. Our overseas revenue increased significantly in 2024, primarily due to license fee generated pursuant to the HEC88473 Agreement with Apollo.

Cost of Sales

The table below sets forth, for the years indicated, a breakdown of our cost of sales by nature:

	Year ended December 31,					
	2022		2023		2024	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
Cost of materials	363,650	40.8	563,834	43.1	429,528	44.7
Royalties	256,649	28.8	335,354	25.6	213,136	22.2
Manufacturing costs	194,463	21.8	287,017	21.9	243,417	25.3
Labor costs	55,010	6.2	97,213	7.4	61,637	6.4
Others	21,605	2.4	25,150	1.9	12,555	1.3
Total	891,377	100.0	1,308,568	100.0	960,274	100.0

Our cost of sales consists of (i) cost of materials, primarily representing the cost incurred for the purchase of API, ancillary materials and packaging materials, (ii) royalties, representing the fees paid to third parties in relation to various patent licenses, (iii) manufacturing costs, primarily representing ancillary workshop labor costs and costs of materials, the depreciation cost of property, plant and machinery used in production and the amortization of intangible assets, (iv) labor costs, primarily representing salaries, bonuses, and welfare benefits of our staff directly involved in the manufacturing of our products and (v) others, primarily representing freight and transportation costs.

The table below sets forth, for the years indicated, a breakdown of our cost of sales by major product lines and as a percentage of total cost of sales.

	Year ended December 31,					
	2022		2023		2024	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
Anti-infective drugs	589,978	66.2	909,405	69.5	489,007	50.9
Chronic disease treatment drugs	269,100	30.2	349,747	26.7	404,429	42.1
Others	32,299	3.6	49,416	3.8	66,838	7.0
Total	891,377	100.0	1,308,568	100.0	960,274	100.0

Gross Profit and Gross Profit Margin

Gross profit represents the excess of revenue over cost of sales. Gross profit margin represents gross profit divided by total revenue, expressed as percentage. For the years ended December 31, 2022, 2023 and 2024, our gross profit was RMB2,922.2 million, RMB5,077.0 million and RMB3,058.6 million, respectively, and our gross profit margin was 76.6%, 79.5% and 76.1%, respectively.

The table below sets forth, for the years indicated, gross profit generated from our major product lines in absolute amount and as a percentage of our total gross profit.

	Year ended December 31,					
	2022		2023		2024	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
Anti-infective drugs	2,652,530	90.8	4,836,406	95.3	2,308,624	75.5
Chronic disease treatment drugs	248,158	8.5	230,997	4.5	663,278	21.7
Others	21,501	0.7	9,645	0.2	86,729	2.8
Total	2,922,189	100.0	5,077,048	100.0	3,058,631	100.0

The table below sets forth, for the years indicated, the gross profit margins of our major product lines.

	Year ended December 31,		
	2022	2023	2024
Anti-infective drugs	81.8%	84.2%	82.5%
Chronic disease treatment drugs	48.0%	39.8%	62.1%
Others	40.0%	16.3%	56.5%
Total	76.6%	79.5%	76.1%

During the Track Record Period, the overall gross profit margin for our Kewei products (including both granule and capsule) remained relatively stable at 83.9%, 86.0% and 86.8% for 2022, 2023, and 2024, respectively.

The table below sets forth, for the years indicated, the gross profit margins of our oseltamivir phosphate granule and capsule products which have been included in or excluded from the VBP schemes.

			Year ended December 31,		
			2022	2023	2024
Product	Dosage	Type	Gross profit margins	Gross profit margins	Gross profit margins
Oseltamivir phosphate granule (Kewei)	15mg per sachet	VBP(1)	NA	85.6%	88.3%
		Non-VBP(2)	83.4%	85.3%	85.0%
	25mg per sachet	Non-VBP(3)	74.3%	81.8%	NA
Oseltamivir phosphate capsule (Kewei)	75mg per capsule	Non-VBP(4)	89.1%	91.4%	90.0%
Oseltamivir phosphate capsule (Yangjiantai) . .	75mg per capsule	VBP(5)	-0.88%	-4.75%	26.1%
		Non-VBP(6)	NA	42.9%	58.5%

Notes:

(1) The provincial VBP schemes have been implemented on phosphate granule (Kewei) 15mg since 2023, and there was no sales of phosphate granule (Kewei) 15mg pursuant to VBP schemes in 2022. The gross profit margins for oseltamivir phosphate granule (Kewei) 15mg included in the VBP scheme remained relatively stable for 2023 and 2024.

(2) The gross profit margins for oseltamivir phosphate granule (Kewei) 15mg not included in the VBP scheme remained relatively stable from 2022 to 2024.

(3) The gross profit margins for oseltamivir phosphate granule (Kewei) 25mg not included in the VBP scheme increased from 74.3% in 2022 to 81.8% in 2023, which was primarily driven by an increase in the average selling price as we offered a special promotion to our distributors in 2022 to promote our Kewei granules due to COVID-19 and we did not offer such promotion in 2023. We stopped selling oseltamivir phosphate granule (Kewei) 25mg since 2024.

(4) The gross profit margins for oseltamivir phosphate capsule (Kewei) not included in the VBP scheme remained relatively stable from 2022 to 2024.

(5) We recorded gross margin of negative 0.88% for oseltamivir phosphate capsule (Yangjiantai) included in the VBP scheme in 2022 due to the combined effect of the low bid prices of the VBP scheme and limited commercial scale, as marketing efforts had not yet driven sufficient sales volume to offset costs. The gross margin decreased to negative 4.75% in 2023 primarily due to rising costs of APIs for the production of Yangjiantai, which increased production expenses. The gross margin then increased to 26.1% in 2024 primarily due to a decrease in manufacturing costs per unit as we benefitted from economies of scale attained from ramping up our production to meet increased market demand. The increase in demand, which resulted in increased sales volume, was mainly because PRC public hospitals increased their procurement volume for oseltamivir phosphate capsule (Yangjiantai) in 2024 as there was a significant outbreak of influenza in China in 2023. For further details, please see "Business —Sales, Marketing and Distribution — Our Oseltamivir Phosphate Products and the Reasons for the Fluctuationof the Sales of Our Oseltamivir Phosphate Products during the Track Record Period."

(6) We did not sell oseltamivir phosphate capsule (Yangjiantai) outside of VBP schemes in 2022. We started selling oseltamivir phosphate capsule (Yangjiantai) to pharmacies and medical institutions in 2023. The gross profit margins for oseltamivir phosphate capsule (Yangjiantai) increased from 42.9% in 2023 to 58.5% in 2024 primarily due to a decrease in manufacturing costs per unit as we benefitted from economies of scale attained from ramping up our production to meet increased market demand from customers who are price conscious.

Other (Losses)/Income

The table below sets forth a breakdown of our other (losses)/income for the years indicated:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Government grants			
– Unconditional subsidies	40,207	38,950	52,036
– Conditional subsidies	18,272	8,573	15,744
Interest income from bank deposits and investments	8,027	50,111	62,283
Interest income from related parties	44,801	38,782	–
Net gain/(loss) on disposal of property, plant and equipment	699	(3,813)	18,142
Fair value change on derivative financial instruments embedded in convertible bonds	(859,569)	(79,796)	–
Fair value change on investments in equity securities	–	4,387	(2,521)
Net gain on foreign currency option contracts	–	17,547	7,681
Fair value change on a private fund investment	–	–	734
Investment income from a trust investment scheme	–	4,645	–
Dividend income from listed equity securities	–	247	309
Investment income from a private fund investment	–	–	8,105
Impairment loss on intangible assets	(190,423)	(468,726)	(68,308)
Impairment loss on goodwill	(75,896)	–	–
Net foreign exchange loss	(280,732)	(35,284)	(4,377)
Others	602	1,708	(85)
Total	(1,294,012)	(422,669)	89,743

Our other (losses)/income primarily consists of (i) government grants, primarily representing unconditional subsidies which are recognized as income on receipt, conditional subsidies in connection with our research and development projects, which are recognized as income when we reach certain progress milestones on the underlying research and development projects, and conditional subsidies in connection with the construction of manufacturing facilities, which are recognized as income in installments over the useful life of the relevant assets; these government grants are granted by various authorities such as the Dongguan Development and Reform Bureau, the National Health Commission, and local science and technology bureaus, with specific criteria ranging from supporting biotech industry development to funding clinical research for innovative drugs and technological innovation projects, (ii) fair value change on derivative financial instruments embedded in convertible bonds, primarily representing the losses arising from the remeasurement of the conversion option embedded in the convertible bonds issued by HEC CJ Pharm, (iii) impairment loss on intangible assets, (iv) net foreign exchange loss, primarily representing losses arising from the translation of convertible bonds issued by HEC CJ Pharm denominated in US dollars and (v) interest income from bank deposits and investments, primarily representing interest income from investment and wealth management products, as well as domestic short-term fixed income investment. For the years ended December 31, 2022, 2023 and 2024, we had other losses of RMB1,294.0 million, other losses of RMB422.7 million and other income of RMB89.7 million, respectively, which accounted for 33.9%, 6.6%, and 2.2% of our total revenue for the respective years.

Distribution Costs

The table below sets forth a breakdown of our distribution costs for the years indicated:

	Year ended December 31,					
	2022		**2023**		**2024**	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
Promotion expenses	716,242	57.6	904,883	57.4	628,984	52.5
Labor costs	433,080	34.8	523,754	33.2	410,645	34.3
Business development expenses	53,767	4.3	90,459	5.7	87,090	7.3
Depreciation costs	15,880	1.3	15,366	1.0	19,852	1.7
Others	25,208	2.0	42,621	2.7	50,474	4.2
Total	1,244,177	100.0	1,577,083	100.0	1,197,046	100.0

Our distribution costs consist of (i) promotion expenses, primarily representing expenses associated with organizing and participating in various academic conferences, seminars and symposia, which mainly consist of, space and equipment rent, costs related to preparing company brochures, product catalogues and other marketing materials, advertising expenses as well as meeting disbursements, (ii) labor costs, primarily representing salaries, bonuses, share-based payment expenses and other social security and welfare expenses of our sales personnel, (iii) business development expenses, primarily representing travel and accommodation expenses of our sales personnel for the promotion of our products, (iv) depreciation costs and (v) others, which mainly include service fee and leasing fee. For the years ended December 31, 2022, 2023 and 2024, our distribution costs were RMB1,244.2 million, RMB1,577.1 million, and RMB1,197.0 million, respectively, which accounted for 32.6%, 24.7%, and 29.8% of our total revenue for the respective years.

Administrative Expenses

The table below sets forth a breakdown of our administrative expenses for the years indicated:

	Year ended December 31,					
	2022		2023		2024	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
Labor costs	107,228	27.6	164,393	34.2	263,340	47.3
Depreciation and amortization	113,845	29.3	60,972	12.7	58,977	10.6
Tax and levies	60,434	15.6	107,756	22.4	53,568	9.6
General operating expenses	46,777	12.1	44,650	9.3	51,074	9.2
Professional service fees	14,617	3.8	39,803	8.3	59,850	10.7
Material consumption	22,725	5.9	24,730	5.1	32,313	5.8
Others	22,246	5.7	38,416	8.0	37,994	6.8
Total	387,872	100.0	480,720	100.0	557,116	100.0

Administrative expenses consist of (i) labor costs, primarily representing salaries, bonuses, share-based payment expenses and other social security and welfare of our administrative personnel, (ii) depreciation and amortization, primarily relating to property and equipment for our office and other administrative functions, (iii) tax and levies, primarily representing VAT surcharge, property tax and land use tax, (iv) general operating expenses, which mainly include office and travel expenses, (v) professional service fees, which include listing expenses, audit fees, and consulting fees, (vi) material consumption and (vii) others, primarily representing repair costs. For the years ended December 31, 2022, 2023 and 2024, our administrative expenses were RMB387.9 million, RMB480.7 million and RMB557.1 million, respectively, which accounted for 10.2%, 7.5% and 13.9% of our total revenue during the respective years.

Research and Development Costs

The table below sets forth a breakdown of our research and development costs for the years indicated:

	Year ended December 31,					
	2022		2023		2024	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
Labor costs	301,902	38.1	319,994	38.7	416,118	46.9
Direct material	117,794	14.9	56,405	6.8	171,582	19.3
Clinical trial fees	201,577	25.5	254,199	30.7	128,557	14.5
Depreciation and amortization	86,593	10.9	94,242	11.4	74,073	8.3
Professional service fee	15,709	2.0	45,371	5.5	18,238	2.1
Business development expenses	51,834	6.5	33,466	4.0	36,526	4.1
Others	16,233	2.1	23,738	2.9	42,559	4.8
Total	791,642	100.0	827,415	100.0	887,653	100.0

Research and development costs consist of (i) labor costs, primarily representing salaries, bonuses, share-based payment expenses and other social security and welfare of our research and development personnel, (ii) direct material, primarily representing costs of materials and consumables used in our research and development activities, (iii) clinical trial fees, primarily representing costs incurred in connection with our clinical trials, services fees to our CROs and payments to our external research and development partners, (iv) depreciation and amortization of property, plant and equipment and intangible assets used in our research and development, (v) professional service fees, primarily representing patent fees, review fees and consulting fees, (vi) business development expenses, primarily representing travel and office expenses for our research and development personnel and (vii) others, primarily representing material consumption and repair costs. For the years ended December 31, 2022, 2023 and 2024, our research and development costs were RMB791.6 million, RMB827.4 million and RMB887.7 million, respectively, which accounted for 20.8%, 13.0% and 22.1% of our total revenue for the respective years.

As of the Latest practicable Date, we have an extensive portfolio with 150 approved drugs and more than 100 drug candidates in the pipeline. The table below sets forth the research and development costs incurred for some of our major products and drug candidates that we consider to be strategically important for the years indicated:

		Year ended December 31,		
		2022	2023	2024
		RMB'000	*RMB'000*	*RMB'000*
Infectious Diseases	Dong'anqiang (Encofosbuvir)	50,997	15,720	24,708
	Dong'andi (Morphothiadine Mesylate)	22,140	18,895	9,076
	HECN30227	3,639	24,450	32,090
	HEC191834	3,548	9,993	18,959
Chronic Diseases	Insulin Injections[(1)]	68,850	126,368	121,702
	Dongjiantang (Olorigliflozin)	25,473	20,437	18,698
	Guangjianbao (HEC88473)	28,867	43,119	53,452
	Dongjiandi (Yinfenidone Hydrochloride)	36,600	42,390	45,526
	Dongtongshen (Mitizodone Phosphate)	30,045	51,345	14,842
	HEC169584	5,087	15,896	17,958
	HECB1502201	1,634	7,199	26,867
Oncology	Dongningsheng (HEC53856)	410	7,488	15,779
	Dongningda (HEC169096)	11,918	9,837	17,978
	HEC201625	6,742	15,720	11,688

Note:

(1) Our insulin products include (i) Human Insulin Injection, (ii) Mixed Protamine Human Insulin Injection (30R), (iii) Insulin Glargine Injection, (iv) Insulin Aspart Injection, and (v) Insulin Aspart 30 Injection.

In 2022, we incurred significant research and development costs in relation to expenses incurred for (i) Phase II/III clinical trials of and manufacturing of NDA registration batches for Dong'anqiang (Encofosbuvir), (ii) process optimization for our insulin products, (iii) Phase II clinical trials of Dongjiandi (Yinfenidone Hydrochloride), (iv) Phase II clinical trials of Dongtongshen (Mitizodone Phosphate) and (v) Phase I clinical trials of Guangjianbao (HEC88473) in China and Australia.

In 2023, we incurred significant research and development costs in relation to expenses incurred for (i) process optimization for our insulin products, (ii) Phase II clinical trials of Dongtongshen (Mitizodone Phosphate), (iii) Phase II clinical trials of Guangjianbao (HEC88473) in China, (iv) Phase II clinical trials of Dongjiandi (Yinfenidone Hydrochloride) and (v) conducting preliminary toxicology studies on candidate molecules for HECN30227.

In 2024, we incurred significant research and development costs in relation to expenses incurred for (i) process optimization for our insulin products, (ii) Phase II clinical trials of Guangjianbao (HEC88473) in China, (iii) Phase II clinical trials of Dongjiandi (Yinfenidone Hydrochloride), (iv) conducting preclinical studies and production of Phase I clinical trial samples for HECN30227 and (v) Phase II clinical trials of HECB1502201.

Reversals/(recognition) of impairment loss on trade and other receivables

Our reversals/(recognition) of impairment loss on trade and other receivables were primarily attributable to movement of expected credit loss. For the years ended December 31, 2022, 2023 and 2024, we had a reversal of impairment loss on trade and other receivables of RMB2.6 million, recognition of impairment loss on trade and other receivables of RMB3.1 million and recognition of impairment loss on trade and other receivables of RMB126.0 million, respectively.

Finance Costs

The table below sets forth a breakdown of our finance costs for the years indicated:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Interest on convertible bonds	257,329	92,178	–
Interest on financial instruments with preferential rights issued to investors	172,715	–	–
Interest on lease liabilities	7,917	6,074	6,508
Interest on bank loans and other borrowings	181,598	252,929	253,282
Interest on non-trade payables	86,022	36,958	–
Less: interest expense capitalized into construction in progress	(18,697)	(7,548)	(20,003)
Total	686,884	380,591	239,787

Our finance costs primarily consist of (i) interest on convertible bonds issued by HEC CJ Pharm, (ii) interest on financial instruments with preferential rights issued to investors, (iii) interest on lease liabilities, (iv) interest on bank loans and other borrowings and (v) interest on non-trade payables. For the years ended December 31, 2022, 2023 and 2024, our total finance costs were RMB686.9 million, RMB380.6 million and RMB239.8 million, respectively, which accounted for 18.0%, 6.0% and 6.0% of our total revenue for the respective years.

Income Tax

Our income tax primarily consists of PRC enterprise income tax charged on our Group and deferred tax expenses arising from the timing difference between accounting and taxable profits. For the years ended December 31, 2022, 2023 and 2024, we had total income tax credit of RMB63.9 million, a total income tax expense of RMB371.6 million and a total income tax expense of RMB116.3 million, respectively.

The provision for PRC enterprise income tax is based on the statutory rate of 25% of the assessable profits of PRC companies as determined in accordance with the EIT Law which became effective on January 1, 2008. The EIT Law imposes a unified enterprise income tax rate of 25% on all domestic and foreign invested enterprises unless they are qualified for preferential tax treatments. Under the EIT Law and its implementation rules, our Company was qualified as an HNTE since 2011, and therefore enjoyed a preferential tax rate of 15% during the Track Record Period. Such qualification will expire on December 28, 2026, subject to renewal upon review and approval by the relevant government authorities. Certain of our subsidiaries also qualified as a HNTE during the Track Record Period and accordingly also enjoyed a preferential tax rate of 15% during the Track Record Period.

In 2022, our income tax credit was primarily due to losses incurred by certain of our subsidiaries. Our effective tax rate (income tax expense/profit before taxation) for the years ended December 31, 2023 and 2024 was 26.8% and 82.4%, respectively. The effective rate is mainly affected by applicable income tax concessions or exemptions.

Save as disclosed above, our PRC subsidiaries were subject to the PRC statutory enterprise income tax rate of 25% during the Track Record Period. Our US and German subsidiaries were subject to corporate income tax at rates of 9% and 15% respectively during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, we paid all relevant taxes that were due and applicable to us and had no disputes or unresolved tax issues with relevant tax authorities.

YEAR-TO-YEAR COMPARISON OF RESULTS OF OPERATIONS

Year ended December 31, 2024 compared with year ended December 31, 2023

Revenue

Our revenue decreased by RMB2,366.7 million, or 37.1%, from RMB6,385.6 million in 2023 to RMB4,018.9 million in 2024, primarily due to a decrease in revenue derived from sales of anti-infective drugs from RMB5,745.8 million in 2023 to RMB2,797.6 million in 2024.

- *Anti-infective drugs*. Revenue derived from sales of anti-infective drugs decreased by RMB2,948.2 million, or 51.3%, from RMB5,745.8 million in 2023 to RMB2,797.6 million in 2024, primarily due to (i) decreased purchasing of anti-infective drugs (including for both Kewei granules and Kewei capsules) from hospitals, pharmacies and other medical institutions by patients as a result of lower incidence of seasonal flu outbreaks and decreased demand for antiviral treatments in 2024. This, in turn, decreased the purchase of anti-infective drugs from our distributors by hospitals, pharmacies and other medical institutions, ultimately resulting in decreased purchase of anti-infective drugs from us by our distributors. According to the Frost & Sullivan Report, there was a lower incidence of seasonal flu outbreaks in China in 2024 as compared to 2023 and the size of the oseltamivir phosphate drug market in China decreased by 45.0% from 2023 to 2024, in line with the decreased demand and sales of Kewei (oseltamivir phosphate), (ii) reduced sales of our Kewei capsules in 2024 as public hospitals reduced the purchase of Kewei capsules outside of the VBP schemes in 2024, (iii) a decrease in average selling prices of our Kewei granules and Kewei capsules by 7.8% and 20.1% respectively in 2024 as compared with those in 2023, and (iv) increasingly intense competition our oseltamivir phosphate products is facing from other types of anti-influenza drugs. For further details on factors impacting the sales of our anti-infective drugs, please see "Business — Sales, Marketing and Distribution — Our Oseltamivir Phosphate Products' Inclusion in the VBP Scheme and the Reasons for the Fluctuation in Our Revenue in 2024 Compared to 2023".

- *Chronic disease treatment drugs*. Revenue derived from sales of chronic disease treatment drugs increased by RMB487.0 million, or 83.9%, from RMB580.7 million in 2023 to RMB1,067.7 million in 2024, primarily due to (i) an increase in the sales of our insulin products as all five of our insulin products have been included in the VBP schemes in 2024 and (ii) an increase in sales of our insulin products, Linagliptin and Esomeprazole Magnesium as a result of an increase in related educational promotion activities.

- *Others*. Revenue derived from others increased by RMB94.5 million, or 160.0%, from RMB59.1 million in 2023 to RMB153.6 million in 2024, primarily due to license fee generated pursuant to the HEC88473 Agreement with Apollo.

Cost of sales

Our cost of sales decreased by RMB348.3 million, or 26.6%, from RMB1,308.6 million in 2023 to RMB960.3 million in 2024. The decrease was primarily due to decreases in the cost of materials, royalties, manufacturing costs and labor costs as a result of the decrease in the sales of our anti-infective products.

Gross profit and gross profit margin

As a result of the foregoing, our total gross profit decreased by RMB2,018.4 million, or 39.8%, from RMB5,077.0 million in 2023 to RMB3,058.6 million in 2024. Our overall gross profit margin decreased from 79.5% in 2023 to 76.1% in 2024, primarily due to decreased sales in Kewei (oseltamivir phosphate), a high margin product.

- *Anti-infective drugs.* Our gross profit for our anti-infective drugs product line decreased by RMB2,527.8 million, or 52.3%, from RMB4,836.4 million in 2023 to RMB2,308.6 million in 2024. Such decrease was due to the decrease in revenue from our anti-infective drugs. Our gross profit margin for our anti-infective drugs product line decreased from 84.2% in 2023 to 82.5% in 2024. The decreased gross profit margin for our anti-infective drugs product line in 2024 was due to a decrease in the sales of Kewei (oseltamivir phosphate), a high margin product.

- *Chronic disease treatment drugs*. Our gross profit for our chronic disease treatment drugs product line increased by RMB432.3 million, or 187.1%, from RMB231.0 million in 2023 to RMB663.3 million in 2024. Such increase was due to the respective increases in revenue and gross profit margins from our chronic disease treatment drugs. Our gross profit margin for our chronic disease treatment drugs product line increased from 39.8% in 2023 to 62.1% in 2024. The increase in gross profit margin for our chronic disease treatment drug line in 2024 was primarily due to (i) decrease in manufacturing costs per unit as we benefitted from economies of scale attained by the increased sales volume of our insulin products, which contributed to a notable improvement in the gross margins of our insulin products from negative 62.4% in 2023 to negative 13.7% in 2024 and (ii) a higher proportion of sales of high-margin drugs such as Linagliptin and Esomeprazole Magnesium.

- *Others.* Our gross profit for our others product line increased by RMB77.1 million, or 799.2%, from RMB9.6 million in 2023 to RMB86.7 million in 2024. The gross profit margin for our others product line increased from 16.3% in 2023 to 56.5% in 2024. The increases in gross profit and gross profit margin in 2024 was primarily due to upfront license fee generated pursuant to the HEC88473 Agreement with Apollo, which had higher margins.

Other (losses)/income

We recorded other losses of RMB422.7 million in 2023 and other income of RMB89.7 million in 2024. Such improvement was primarily due to (i) a change in the fair value change on derivative financial instruments embedded in convertible bonds issued by HEC CJ Pharm from a loss of RMB79.8 million in 2023 to nil in 2024 because we had fully repurchased the outstanding portion of our convertible bonds in July 2023, (ii) a decrease in impairment loss on intangible assets from RMB468.7 million in 2023 to RMB68.3 million in 2024 primarily because we recorded higher impairment loss in connection with the termination of Phase III clinical trials of the Combination Therapy in 2023; due to stalled progress, delays in commercialization, introduction of competitive products and our strategic decision to channel our resources to other products within the same product line with better market potential such as the combination treatment regimen of Netanasvir Phosphate and Encofosbuvir, we terminated the project, leading to a full impairment of the intangible asset, and (iii) a decrease in net foreign exchange loss from RMB35.3 million in 2023 to RMB4.4 million in 2024 which was in line with exchange rate fluctuations.

Distribution costs

Distribution costs decreased by RMB380.1 million, or 24.1%, from RMB1,577.1 million in 2023 to RMB1,197.0 million in 2024. The decrease was primarily due to (i) a decrease in our promotion expenses from RMB904.9 million in 2023 to RMB629.0 million in 2024 attributable to a decrease in our promotional activities for anti-infective drugs as a result of a lower incidence of seasonal flu outbreaks in 2024 (ii) a decrease in labor costs from RMB523.8 million in 2023 to RMB410.6 million in 2024 as bonuses for our sales and marketing personnel decreased.

Administrative expenses

Administrative expenses increased by RMB76.4 million, or 15.9%, from RMB480.7 million in 2023 to RMB557.1 million in 2024. The increase was primarily due to an increase in labor costs as a result of an increase in share-based payment expenses to our Directors, senior management and administrative personnel in 2024 pursuant to our equity incentive plan.

Research and development costs

Research and development costs increased by RMB60.2 million, or 7.3%, from RMB827.4 million in 2023 to RMB887.7 million in 2024. The increase was primarily due to the respective increases in (i) labor costs from RMB320.0 million in 2023 to RMB416.1 million in 2024 primarily as a result of an increase in share-based payment costs to our research and development personnel in 2024 pursuant to our equity incentive plan and (ii) direct materials from RMB56.4 million in 2023 to RMB171.6 million in 2024 as we consumed more materials in connection with the process optimization of our insulin products and for the research and development of our drug candidates, including Dongjiandi (Yinfenidone Hydrochloride), Guangjianbao (HEC88473), HEC169584, HECN30227 and HEC191834, which was partially offset by a decrease in clinical trial fees from RMB254.2 million in 2023 to RMB128.6 million in 2024 because a few of our key drug candidates, including Dongtongshen (Mitizodone Phosphate), Guangjianbao (HEC88473) and Dongjianshun (HEC93077), completed their then respective phases of research in 2023.

Recognition of impairment loss on trade and other receivables

We had recognition of impairment loss on trade and other receivables in the amount of RMB3.1 million in 2023 and RMB126.0 million in 2024. This change was primarily due to a decline in the sales of our major customers, which led to an increase in the aging of our trade and other receivables.

Finance costs

Our finance costs decreased by RMB140.8 million, or 37.0%, from RMB380.6 million in 2023 to RMB239.8 million in 2024. The decrease was primarily due to (i) a decrease in interest on convertible bonds issued by HEC CJ Pharm because we had fully repurchased the outstanding portion of our convertible bonds in July 2023 and (ii) a decrease in interest on non-trade payables from RMB37.0 million in 2023 to nil in 2024 due to our repayment of borrowings from related parties.

Profit before taxation

As a result of the aforesaid factors, we had a profit before taxation of RMB1,385.5 million in 2023 and a profit before taxation of RMB141.1 million in 2024.

Income tax

We had an income tax expense of RMB371.6 million in 2023 and an income tax expense of RMB116.3 million in 2024.

Profit for the year

As a result of the aforesaid factors, our profit for the year decreased from RMB1,013.9 million in 2023 to RMB24.8 million in 2024.

Year ended December 31, 2023 compared with year ended December 31, 2022

Revenue

Our revenue increased by RMB2,572.1 million, or 67.4% from RMB3,813.6 million in 2022 to RMB6,385.6 million in 2023, primarily due to respective increases in revenue derived from sales of anti-infective drugs from RMB3,242.5 million in 2022 to RMB5,745.8 million in 2023 and chronic disease treatment drugs from RMB517.3 million 2022 to RMB580.7 million in 2023, as well as sales of others from RMB53.8 million in 2022 to RMB59.1 million in 2023.

- *Anti-infective drugs.* Revenue derived from sales of anti-infective drugs increased by RMB2,503.3 million, or 77.2%, from RMB3,242.5 million in 2022 to RMB5,745.8 million, primarily because of an increase in sales volume of Kewei (oseltamivir phosphate). The increase in sales was primarily driven by increased purchasing of anti-infective drugs from pharmacies and hospitals by patients as a result of higher demand due to the resumption of normal social activities following the complete lifting of travel restrictions, social-distancing measures and business closures in early 2023, which significantly increased the movement of people, resulting in greater incidence of influenza in 2023 as compared with that of 2022. This, in turn, increased the purchase of anti-infective drugs from our distributors by hospitals, pharmacies and other medical institutions, ultimately resulting in increased purchase of anti-infective drugs from us by our distributors. According to the Frost & Sullivan Report, the impact of the influenza epidemic in China in 2023 was greater in both scope and duration compared to that in 2022, resulting in increased demands for anti-infective drugs. As such, the size of the oseltamivir phosphate drug market in China increased significantly in 2023, in line with the increased demand and sales of Kewei (oseltamivir phosphate) in 2023.

- *Chronic disease treatment drugs.* Revenue derived from sales of chronic disease treatment drugs increased by RMB63.4 million, or 12.3%, from RMB517.3 million in 2022 to RMB580.7 million in 2023, primarily due to an increase in revenue derived from the sales of our insulin series. The increase in revenue from sales of our insulin series was primarily due to (i) overall marketing efforts to boost the sales of our insulin series, which included an increase in educational promotion activities and enhanced training for our sales staff in charge of our insulin series and (ii) an increase in the number of sales and distribution channels to hospitals and other medical institutions.

- *Others.* Revenue derived from others increased by RMB5.3 million, or 9.9%, from RMB53.8 million in 2022 to RMB59.1 million in 2023, primarily attributable to increased revenue from new product launches (such as sildenafil).

Cost of sales

Our cost of sales increased by RMB417.2 million, or 46.8%, from RMB891.4 million in 2022 to RMB1,308.6 million in 2023. The increase was primarily due to increases in the cost of materials, royalties, labor costs and manufacturing costs as a result of the increase in the sales of our products.

- *Cost of materials*. Cost of materials increased by RMB200.1 million, or 55.0%, from RMB363.7 million in 2022 to RMB563.8 million in 2023, primarily due to our increased use of materials in line with a ramp up of our production and an increase in overall sales volume of our products.

- *Royalties*. Royalties increased by RMB78.8 million, or 30.7%, from RMB256.6 million in 2022 to RMB335.4 million in 2023, primarily due to our increased revenue generated from the sales of Kewei (oseltamivir phosphate) in 2023.

- *Labor costs*. Labor costs increased by RMB42.2 million, or 76.7%, from RMB55.0 million in 2022 to RMB97.2 million in 2023, primarily due to an increase in the scale of our production.

- *Manufacturing costs*. Manufacturing overhead increased by RMB92.5 million, or 47.6%, from RMB194.5 million in 2022 to RMB287.0 million in 2023, which was in line with a ramp up of our production and an increase in overall sales volume of our products.

Gross profit and gross profit margin

As a result of the foregoing, our total gross profit increased by RMB2,154.8 million, or 73.7%, from RMB2,922.2 million in 2022 to RMB5,077.0 million in 2023. Our overall gross profit margin increased from 76.6% in 2022 to 79.5% in 2023. Such improvement was primarily attributable to a significant increase in our total revenue from and improved gross profit margin for our anti-infective drugs in 2023 as compared with those of 2022.

- *Anti-infective drugs*. Our gross profit for our anti-infective drugs product line increased by RMB2,183.9 million, or 82.3%, from RMB2,652.5 million in 2022 to RMB4,836.4 million in 2023. Such increase was due to the increase in the revenue from our anti-infective drugs. Our gross profit margin for our anti-infective drugs product line was 81.8% and 84.2% in 2022 and 2023, respectively. The improved gross profit margin for our anti-infective drugs product line in 2023 was due to a decrease in the cost of raw materials for the production of Kewei (oseltamivir phosphate) and decrease in manufacturing costs per unit as we benefitted from economies of scale attained from ramping up our production to meet market demand.

- *Chronic disease treatment drugs*. Our gross profit for our chronic disease treatment drugs product line decreased by RMB17.2 million, or 6.9%, from RMB248.2 million in 2022 to RMB231.0 million in 2023. Our gross profit margin for our chronic disease treatment drugs product line was 48.0% and 39.8% in 2022 and 2023, respectively. The decrease in gross profit margin for our chronic disease treatment drugs product line in 2023 was primarily due to a higher proportion of sales of insulin products. Certain of our insulin products were in initial commercialization phase in 2023, which required significant upfront investments for marketing, promotion and the establishment of new sales channels and distribution networks. In addition, limited early-stage sales volumes prevented economies of scale from being achieved, resulting in higher unit production costs. As such, our insulin products had a gross margin of negative 62.4% in 2023.

- *Others.* Our gross profit for our others product line decreased by RMB11.9 million, or 55.3%, from RMB21.5 million in 2022 to RMB9.6 million in 2023. Our gross profit margin for our others product line was 40.0% and 16.3% in 2022 and 2023, respectively. The decrease in gross profit margin for our others product line in 2023 was primarily due to the changes in the business model for the sales of tadalafil, where our customers supplied the packaging materials and handled transport logistics, while we remained responsible for contamination prevention, quality control and final inspection of the packaging materials. This significantly reduced the unit price of tadalafil sold, resulting in a decrease in our gross profit margin.

Other losses

Our other losses decreased by RMB871.3 million, or 67.3%, from RMB1,294.0 million in 2022 to RMB422.7 million in 2023. The decrease was primarily due to (i) a decrease in the fair value change on derivative financial instruments embedded in convertible bonds issued by HEC CJ Pharm from a loss of RMB859.6 million in 2022 to a loss of RMB79.8 million in 2023 which was due the impact of exchange rate and share price fluctuations and (ii) a decrease in net foreign exchange loss from RMB280.7 million in 2022 to RMB35.3 million in 2023 which was in line with exchange rate fluctuations, which was partially offset by an increase in impairment loss on intangible assets from RMB190.4 million in 2022 to RMB468.7 million in 2023 due to impairment loss that was recognized in connection with the termination of Phase III clinical trials of the Combination Therapy in 2023. Due to stalled progress, delays in commercialization, introduction of competitive products and our strategic decision to channel our resources to other products within the same product line with better market potential such as the combination treatment regimen of Netanasvir Phosphate and Encofosbuvir, we terminated the project, leading to a full impairment of the intangible asset.

Distribution costs

Distribution costs increased by RMB332.9 million, or 26.8%, from RMB1,244.2 million in 2022 to RMB1,577.1 million in 2023. The increase was primarily due to (i) a significant increase in labor costs from RMB433.1 million in 2022 to RMB523.8 million in 2023 due to an increase in total performance bonus paid, following adjustments made to our performance evaluation and bonus scheme in order to further incentivize sales performance and (ii) a significant increase in our promotion expenses from RMB716.2 million in 2022 to RMB904.9 million in 2023, in line with our resumption of regular educational promotion activities following the resumption of normal social activities, and our enhanced marketing efforts to further boost the sales of Kewei (oseltamivir phosphate), our insulin product series and emitasvir phosphate in various sales channels.

Administrative expenses

Administrative expenses increased by RMB92.8 million, or 23.9%, from RMB387.9 million in 2022 to RMB480.7 million in 2023. The increase was primarily due to (i) an increase in labor costs as a result of an increase in share-based payment expenses to our Directors, senior management and administrative personnel in 2023, following the implementation of an equity incentive plan in June 2023, (ii) an increase in payment of taxes and surcharges from RMB60.4 million in 2022 to RMB107.8 million in 2023 in line with the expansion of our business operations in 2023 and (iii) an increase in our professional service fees from RMB14.6 million in 2022 to RMB39.8 million in 2023 due to an increase in our financing activities. The above increases were partially offset by a decrease in depreciation and amortization expenses from RMB113.8 million in 2022 to RMB61.0 million in 2023. The amortization expenses of certain of our production approvals were classified as administrative expenses before the relevant products were commercialized. Following their commercialization, the amortization expenses were recorded under cost of sales. As we had more commercialized products in 2023, this resulted in a decrease in depreciation and amortization expenses in 2023.

Research and development costs

Research and development costs increased by RMB35.8 million, or 4.5%, from RMB791.6 million in 2022 to RMB827.4 million in 2023. The increase was primarily due to an increase in our clinical trial fees from RMB201.6 million in 2022 to RMB254.2 million in 2023 due to (i) an increase in the number of our clinical trials, including the respective clinical trials of Dongningchun (Clifutinib Besylate), Insulin Degludec, Dongningsheng (HEC53856). Guangjianbao (HEC88473) and HECB1502201 and (ii) an increase in professional service fee from RMB15.7 million in 2022 to RMB45.4 million in 2023 as we incurred higher patent fees, review fees and consulting fees in connection with our innovative drugs, which was offset by a decrease in our direct materials cost from RMB117.8 million in 2022 to RMB56.4 million in 2023 as we consumed more materials in 2022 for process optimization of our insulin products, manufacturing of the NDA registration batches for Dong'anqiang (Encofosbuvir) and R&D activities relating to Dongningchun (Clifutinib Besylate), Guangjianbao (HEC88473) and Dongtongshen (Mitizodone Phosphate).

Reversals/(recognition) of impairment loss on trade and other receivables

We had reversals of impairment loss on trade and other receivables in the amount of RMB2.6 million in 2022 and recognition of impairment loss on trade and other receivables in the amount of RMB3.1 million in 2023. This change was primarily because we experienced an increase in impairment loss as a result of an increase in our balance of accounts receivable which in turn was caused by a significant improvement in our business performance in 2023.

Finance costs

Our finance costs decreased by RMB306.3 million or 44.6%, from RMB686.9 million in 2022 to RMB380.6 million in 2023. The decrease was primarily due to (i) a decrease in interest on financial instruments with preferential rights issued to investors from RMB172.7 million in 2022 to nil in 2023 because each of our then Pre-Listing Investors provided a confirmation to our Company and our subsidiaries that are subject to the redemption rights in March 2022, pursuant to which our Pre-Listing Investors confirmed in writing that they had waived their redemption rights against our Company and the involved subsidiaries, and as a result of which we had reclassified the underlying financial liabilities to equity and (ii) a decrease in interest on convertible bonds issued by HEC CJ Pharm from RMB257.3 million in 2022 to RMB92.2 million in 2023 because we had fully repurchased the outstanding portion of our convertible bonds in July 2023.

(Loss)/profit before taxation

As a result of the aforesaid factors, we had a loss before taxation of RMB1,479.8 million in 2022 and a profit before taxation of RMB1,385.5 million in 2023.

Income tax

We had an income tax credit of RMB63.9 million in 2022 and an income tax expense of RMB371.6 million in 2023.

(Loss)/profit for the year

We recorded loss for the year of RMB1,415.9 million in 2022 primarily because of our lower than usual sales volume of Kewei (oseltamivir phosphate) in 2022 due to travel restrictions, social-distancing measures and business closures that significantly reduced the movement of people and increased widespread preventive measures against influenza, which resulted in a significant decline in the incidence of respiratory diseases such as influenza. Our profit for the year changed from a loss for the year of RMB1,415.9 million in 2022 to a profit for the year of RMB1,013.9 million in 2023.

LIQUIDITY AND CAPITAL RESOURCES

Source of Liquidity and Working Capital

We have historically met our working capital and other capital requirements principally from cash generated from our operating activities, bank borrowings and equity financing. As of December 31, 2024, we had cash and cash equivalents of RMB1,480.8 million, which consisted of cash at bank and were mainly denominated in Renminbi.

Taking into account our cash and future operating cash flows and our bank loans, our Directors are satisfied, after due and careful inquiry, that we have sufficient working capital to meet our working capital requirements for at least the next 12 months from the date of publication of this Listing Document.

Cash Flows

The table below sets forth, for the years indicated, a summary of our consolidated statements of cash flows items.

	Year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Net cash generated from operating activities	1,160,966	1,318,106	500,532
Net cash (used in)/generated from investing activities	(1,109,599)	(1,682,992)	29,794
Net cash (used in)/generated from financing activities	(313,575)	1,314,291	(970,666)
Net (decrease)/increase in cash and cash equivalents	(262,208)	949,405	(440,340)
Cash and cash equivalents at January 1	1,232,268	971,510	1,920,158
Effect of foreign exchange rate changes	1,450	(757)	992
Cash and cash equivalents at 31 December	971,510	1,920,158	1,480,810

Net cash generated from operating activities

Cash flows from operating activities reflects (i) profit before tax adjusted for non-cash and non-operating items (such as depreciation of property, plant and equipment, finance costs, impairment provision for intangible assets, fair value change in connection with derivative financial instruments and net foreign exchange changes), (ii) the effects of movements in working capital (such as changes in inventories, trade and other receivables and trade and other payables) and (iii) other cash items (such as corporate income tax refunded or paid).

We had net cash generated from operating activities of RMB500.5 million in 2024, resulting from our profit before taxation of RMB141.1 million, adjustments for non-cash items of RMB903.3 million, changes in working capital of RMB296.2 million and corporate income tax paid of RMB247.6 million. Adjustments for non-cash items primarily included the adding back of (i) depreciation of RMB284.7 million, (ii) finance costs of RMB239.8 million and (iii) equity-settled share-based payment expenses of RMB266.5 million. Changes in working capital primarily included (i) an increase in inventories of RMB208.8 million and (ii) a decrease in trade and other payables of RMB88.8 million.

We had net cash generated from operating activities of RMB1,318.1 million in 2023, resulting from our profit before taxation of RMB1,385.5 million, adjustments for non-cash items of RMB1,401.7 million, changes in working capital of RMB1,238.6 million and corporate income tax paid of RMB230.5 million. Adjustments for non-cash items primarily included the adding back of (i) depreciation of RMB257.8 million, (ii) finance costs of RMB380.6 million and (iii) impairment loss on intangible assets of RMB468.7 million. Changes in working capital primarily included (i) an increase in inventories of RMB162.5 million and (ii) a decrease in trade and other payables of RMB1,122.5 million.

We had net cash generated from operating activities of RMB1,161.0 million in 2022, resulting from our loss before taxation of RMB1,479.8 million, adjustments for non-cash items of RMB2,438.2 million, changes in working capital of RMB459.2 million and corporate income tax paid of RMB256.6 million. Adjustments for non-cash items primarily included the adding back of (i) depreciation of RMB231.0 million, (ii) finance costs of RMB686.9 million, (iii) fair value change on derivative financial instruments embedded in convertible bonds issued by HEC CJ Pharm of RMB859.6 million and (iv) net foreign exchange loss of RMB280.3 million. Changes in working capital primarily included (i) an increase in trade and other payables of RMB1,006.7 million and (ii) an increase in trade and other receivables of RMB511.3 million.

Net cash generated from/(used in) investing activities

During the Track Record Period, our cash used in investing activities mainly consisted of payment for the purchase of property, plant and equipment, payment for development cost, payment for the purchase of intangible assets, decrease/increase in restricted cash, payment for purchase of financial assets measured at FVPL and proceeds received from financial assets measured at FVPL. Our cash generated from investing activities consisted of proceeds from disposal of financial assets measured at FVPL.

We had net cash generated from investing activities of RMB29.8 million in 2024, primarily resulting from (i) payments for purchase of property, plant and equipment of RMB1,061.9 million and (ii) a decrease in restricted cash of RMB1,131.7 million.

We had net cash used in investing activities of RMB1,683.0 million in 2023, primarily resulting from (i) payments for purchase of property, plant and equipment of RMB332.4 million and (ii) increase in restricted cash of RMB1,457.0 million.

We had net cash used in investing activities of RMB1,109.6 million in 2022, primarily resulting from (i) payments for purchase of property, plant and equipment of RMB563.0 million, (ii) payments for development costs of RMB237.0 million and (iii) payments for purchase of intangible assets of RMB217.2 million.

Net cash generated from/(used in) financing activities

During the Track Record Period, our cash generated from financing activities mainly consisted of proceeds from bank loans, advance from the related parties, proceeds from capital contribution from shareholders and deemed contribution from a shareholder. Our cash used in financing activities during the Track Record Period mainly consisted of acquisition of a subsidiary under common control, HEC CJ Pharm (the "acquisition of HEC CJ Pharm"), repayments of bank loans, payments for capital element of obligations arising from sale and leaseback transactions, repurchase of convertible bonds issued by HEC CJ Pharm, interest paid and repayment to the related parties.

We had net cash used in financing activities of RMB970.7 million in 2024, primarily attributable to repayments of bank loans of RMB3,792.2 million, which was partially offset by proceeds from bank loans of RMB3,100.9 million.

We had net cash generated from financing activities of RMB1,314.3 million in 2023, primarily attributable to proceeds from bank loans of RMB2,682.2 million, proceeds from capital contribution from shareholders of RMB1,630.0 million and deemed contribution from a shareholder of RMB2,312.3 million, which was partially offset by repayments of bank loans of RMB1,123.9 million, repurchase of convertible bonds issued by HEC CJ Pharm of RMB3,048.0 million and net repayment to related parties of RMB1,255.8 million.

We had net cash used in financing activities of RMB313.6 million in 2022, primarily resulting from payment for acquisition of a subsidiary under common control of RMB1,841.6 million and repayments of bank loans of RMB1,499.1 million and repurchase of convertible bonds issued by HEC CJ Pharm of RMB971.4 million, which was partially offset by proceeds from bank loans of RMB1,897.0 million and net advance from related parties of RMB2,369.7 million.

Capital Expenditures

The table below sets forth, for the years indicated, a summary of our capital expenditures.

	Year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Payments for purchase of property, plant and equipment	563,001	332,423	1,061,906
Payments for purchase of intangible assets	217,196	40,480	–
Payments for development costs	237,040	162,319	163,299
Total	1,017,237	535,222	1,225,205

During the Track Record Period, our capital expenditures comprised of expenditures for the purchase of property, plant and equipment, purchase of intangible assets and payment for capitalized development cost. Our capital expenditures decreased from RMB1,017.2 million in 2022 to RMB535.2 million in 2023 due to higher payments in 2022 for the construction of manufacturing facilities for our insulin products and higher payments for drug approval of our generic drugs. Our capital expenditures then increased to RMB1,225.2 million in 2024 as we purchased properties for research and development and market development needs in 2024. We funded our capital expenditure requirements during the Track Record Period mainly by our bank balances, cash flow generated from operating activities and bank borrowings. We intend to finance such capital expenditures with our existing cash and bank balances and cash generated from operating activities.

NET CURRENT (LIABILITIES)/ASSETS

We had net current liabilities of RMB4,807.7 million, net current assets of RMB234.0 million, net current assets of RMB164.5 million and net current assets of RMB190.5 million as of December 31, 2022, 2023 and 2024 and April 30, 2025, respectively. The table below sets forth, as of the dates indicated, our current assets, current liabilities and net current (liabilities)/assets.

	As of December 31,			As of April 30,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Current assets				
Inventories	366,473	528,980	737,821	777,078
Prepayments	137,972	358,864	426,380	790,164
Trade and other receivables	2,274,423	2,018,488	1,894,293	1,804,873
Financial assets measured at FVPL	290,000	18,686	3,839	5,839
Restricted cash	110,270	1,567,300	435,617	308,009
Cash and cash equivalents	971,510	1,920,158	1,480,810	1,302,078
Total current assets	4,150,648	6,412,476	4,978,760	4,988,041
Current liabilities				
Contract liabilities	84,528	117,375	155,019	131,161
Trade and other payables	4,917,390	2,594,007	2,421,629	2,214,419
Bank loans and other borrowings	1,007,145	3,289,197	2,196,225	2,405,206
Lease liabilities	33,611	31,703	41,147	45,954
Interest-bearing borrowings	2,906,963	–	–	–
Current taxation	8,672	146,209	231	807
Total current liabilities	8,958,309	6,178,491	4,814,251	4,797,547
Net current (liabilities)/assets	(4,807,661)	233,985	164,509	190,494

We recorded net current assets of RMB190.5 million as of April 30, 2025 and net current assets of RMB164.5 million as of December 31, 2024. Such increase was primarily due to (i) an increase in prepayments from RMB426.4 million as of December 31, 2024 to RMB777.1 million as of April 30, 2025 as we enhanced our marketing and brand promotion activities and (ii) a decrease in trade and other payables from RMB2,421.6 million as of December 31, 2024 to RMB2,214.4 million as of April 30, 2025 primarily due to payments to suppliers, which was partially offset by (i) a decrease in restricted cash from RMB435.6 million as of December 31, 2024 to RMB308.0 million as of April 30, 2025 primarily resulting from the release of loan guarantee deposits and (ii) an increase in current bank loans and other borrowings from RMB2,196.2 million as of December 31, 2024 to RMB2,405.2 million as of April 30, 2025 to supplement our working capital.

Our net current assets decreased from RMB234.0 million as of December 31, 2023 to RMB164.5 million as of December 31, 2024 and such decrease was primarily due to (i) a decrease in our restricted cash from RMB1,567.3 million as of December 31, 2023 to RMB435.6 million as of December 31, 2024 and (ii) a decrease in cash and cash equivalents from RMB1,920.2 million as of December 31, 2023 to RMB1,480.8 million as of December 31, 2024 due to the repayment of our bank loans and increased capital expenditure.

We recorded net current liabilities of RMB4,807.7 million as of December 31, 2022 and net current assets of RMB234.0 million as of December 31, 2023 and such improvement was primarily due to (i) an increase in our restricted cash from RMB110.3 million as of December 31, 2022 to RMB1,567.3 million as of December 31, 2023 and an increase in our cash and cash equivalents from RMB971.5 million as of December 31, 2022 to RMB1,920.2 million as of December 31, 2023, both of which were in line with an overall improvement in our business performance, (ii) a decrease in our trade and other payables from RMB4,917.4 million as of December 31, 2022 to RMB2,594.0 million as of December 31, 2023 due to our repayment of borrowings from related parties which resulted in a decrease in amounts due to related parties and (iii) a decrease in our current interest-bearing borrowings from RMB2,907.0 million as of December 31, 2022 to nil as of December 31, 2023 because we fully repurchased all outstanding convertible bonds issued by HEC CJ Pharm pursuant to bond purchase agreements entered into with our bondholders in July 2023, which was offset by an increase in our current bank loans and other borrowings from RMB1,007.1 million as of December 31, 2022 to RMB3,289.2 million as of December 31, 2023 due to an increase in bank loans for the purposes of repurchasing our outstanding convertible bonds.

CERTAIN CURRENT BALANCE SHEET ITEMS

Inventories

Our inventories primarily consist of raw materials for the manufacture of our products, work in progress, finished goods and goods in transit. In general, we manage our inventories by reference to our production target for a given period. Such production targets were set by reference to our estimation of the demand for our products. Accordingly, we believe that we effectively managed our inventories during the Track Record Period.

The table below sets forth, as of the dates indicated, our balance of inventories.

	As of December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	236,375	334,967	412,554
Work in progress	73,510	102,955	123,689
Finished goods	51,627	85,265	198,770
Goods in transit	4,961	5,793	2,808
Total	366,473	528,980	737,821

Our inventories increased from RMB366.5 million as of December 31, 2022 to RMB529.0 million as of December 31, 2023, primarily reflecting an increase in the overall scale of our operations. Our inventories further increased to RMB737.8 million as of December 31, 2024, primarily due to (i) an increase in finished goods, resulting from a lower incidence of seasonal flu outbreaks in 2024 which led to lower than expected sales of Kewei (oseltamivir phosphate) and (ii) an increase in raw materials as all five of our insulin products have been included in the VBP schemes in 2024. Please see "Business — Inventory management" for more information on our inventory management policies.

The table below sets forth, as of the dates indicated, the aging analysis of our inventories.

	As of December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	316,696	445,446	597,816
1 to 2 years	28,105	59,509	94,340
2 to 3 years	10,031	9,121	28,344
Over 3 years	11,641	14,904	17,321
Total	366,473	528,980	737,821

The table below sets forth, as of the dates indicated, the aging analysis of the finished goods in our inventories and their respective remaining shelf lives.

	As of December 31					
	2022		**2023**		**2024**	
	RMB'000	*Remaining shelf life (Year)*	*RMB'000*	*Remaining shelf life (Year)*	*RMB'000*	*Remaining shelf life (Year)*
Within 1 year	45,613	2.1	80,435	2.2	193,450	2.1
1 to 2 years	4,844	1.8	4,402	1.2	3,662	1.4
2 to 3 years	1,033	0.9	379	1.3	1,658	0.6
over 3 years	137	0.5	49	0.7	–	–
Total	51,627		85,265		198,770	

The table below sets forth the shelf life and aging analysis of the finished goods of our major products, which contributed an important portion of our revenue during the Track Record Period or are expected to contribute to our future growth.

			As of December 31,															
			2022				2023				2024							
Therapeutic area	Major product	Shelf life	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years	Within 1 year	Remaining shelf life (Year)	1 to 2 years	Remaining shelf life (Year)	2 to 3 years	Remaining shelf life (Year)	Over 3 years	Remaining shelf life (Year)
		Months	*RMB'000*				*RMB'000*				*RMB'000*							
Infectious diseases . .	Oseltamivir Phosphate	24-48	1,616	–	–	–	46,149	2	–	–	125,040	1.7	–	–	–	–	–	–
	Clarithromycin	36-48	2,519	29	42	22	597	99	–	–	9,444	2.9	–	–	–	–	–	–
	Moxifloxacin Hydrochloride Tablets	36	3,337	2,053	–	–	1,408	–	379	–	7,537	2.7	–	–	–	–	–	–
	Emitasvir Phosphate Capsules	48	–	–	–	–	659	–	–	–	1,302	2.8	–	–	–	–	–	–
	Levofloxacin Tablets	36	91	1,708	–	–	118	–	–	–	284	3.0	–	–	–	–	–	–
Chronic disease treatment drugs . .	Benzbromarone Tablets	36	1,914	33	–	–	591	–	–	–	2,120	2.9	–	–	–	–	–	–
	Esomeprazole Magnesium Enteric-Coated Capsules	36	3,150	–	–	–	20	1,193	–	–	165	2.4	–	–	–	–	–	–
	Telmisartan Tablets	36	1,950	–	–	–	3,319	–	–	–	2,846	2.6	–	–	–	–	–	–
	Insulin Injections[1]	36	20,486	851	–	–	11,481	901	–	–	16,589	2.3	2,290	1.2	1,159	0.7	–	–
	Olmesartan Medoxomil Tablets	24	–	–	–	–	2,294	–	–	–	1,800	1.6	–	–	–	–	–	–

Note:

(1) Our insulin products include (i) Human Insulin Injection, (ii) Mixed Protamine Human Insulin Injection (30R), (iii) Insulin Glargine Injection, (iv) Insulin Aspart Injection, and (v) Insulin Aspart 30 Injection.

The table below sets forth, for the years indicated, the average inventory turnover days.

	Year ended December 31,		
	2022	2023	2024
Average inventory turnover days[1]	142.6	124.9	240.8

Note:

(1) Average inventory turnover days are based on the average balance of inventory divided by cost of sales for the relevant year and multiplied by 365 days. Average balance is calculated as the average of the beginning balance and ending balance of a given year.

Our average inventory turnover days decreased from 142.6 days in 2022 to 124.9 days in 2023 in line with a continued improvement of our overall business performance. Our average inventory turnover days further increased to 240.8 days in 2024 primarily due to an increase in our inventory as a result of a lower incidence of seasonal flu outbreaks.

We closely monitor our inventory levels; for details of our inventory management policies, please see "Business — Inventory Management". In view of the increasing inventory turnover days, we have also implemented enhanced measures designed to optimize our inventory management and ensure a responsive and efficient supply chain. For instance, we are strengthening market research efforts to develop precision marketing strategies. This includes establishing long-term partnership agreements with key customers to deepen collaborative relationships and stabilize product sales channels. Further, we are enhancing real-time information sharing between our production and sales teams. We adjust production plans weekly based on the recent sales data and market forecasts, aligning production with demand. Additionally, we are adopting lean manufacturing principles to improve operational efficiency.

As of April 30, 2025, RMB253.2 million or 34.3% of our inventories as of December 31, 2024 had been subsequently utilized. Our Directors are of the view that there is no material recoverability issue for our inventories because (i) Kewei (oseltamivir phosphate) inventories are subject to cyclical demand fluctuations aligned with seasonal influenza patterns (according to the Frost & Sullivan Report, the size of the anti-influenza drug market in China is expected to increase by 31.3% from RMB6.7 billion in 2024 to RMB8.8 billion in 2025, and sales of Kewei (oseltamivir phosphate) is expected to increase accordingly), (ii) our five insulin products' inclusion in the VBP schemes in 2024 guarantees stable purchases by public hospitals, ensuring utilization of finished goods and raw materials, (iii) our procurement or manufacturing of inventory is aligned with our order backlogs and production plans, thereby minimizing the risk of low net realizable value and (iv) we continuously optimize our inventory management policies, including but not limited to procuring materials based on production schedules and regularly monitoring inventory levels to ensure appropriate stock conditions.

Prepayments (Current portion)

Our current portion of prepayments consist of prepayments for materials and prepayments for services.

The table below sets forth, as of the dates indicated, a breakdown of the current portion of our prepayments.

	As of December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Prepayments for materials	41,653	32,715	66,063
Prepayments for services	96,319	326,149	360,317
Total	137,972	358,864	426,380

Our current prepayments increased from RMB138.0 million as of December 31, 2022 to RMB358.9 million as of December 31, 2023 and RMB426.4 million as of December 31, 2024, primarily reflecting an increase in our prepayments for services as we had engaged in more robust marketing and branding activities during the same period.

Trade and Other Receivables

Our trade and other receivables consist of trade receivables, bills receivable, VAT recoverable and other receivables.

The table below sets forth, as of the dates indicated, our trade and other receivables.

	As of December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables			
– Related parties	–	1,643	484
– Third parties	692,714	1,827,441	1,478,085
	692,714	1,829,084	1,478,569
Bills receivable	127,545	93,889	388,561
Less: loss allowance	(11,607)	(16,586)	(144,574)
	808,652	1,906,387	1,722,556
VAT recoverable	41,677	63,365	110,009
Other receivables			
– Related parties	1,398,718	189	121

	As of December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
– Third parties	34,438	55,974	66,191
	1,433,156	56,163	66,312
Less: loss allowance	(9,062)	(7,427)	(4,584)
	1,465,771	112,101	171,737
Total	2,274,423	2,018,488	1,894,293

Our trade and other receivables decreased from RMB2,274.4 million as of December 31, 2022 to RMB2,018.5 million as of December 31, 2023, primarily due to a decrease in other receivables from RMB1,433.2 million as of December 31, 2022 to RMB56.2 million as of December 31, 2023, which reflects repayment received from related parties on outstanding loans in 2023, which was partially offset by an increase in our trade and bills receivables from RMB808.7 million as of December 31, 2022 to RMB1,906.4 million as of December 31, 2023, primarily because there was a significant increase in sales in 2023 as compared to 2022, in line with an improvement in our business operations, resulting in an increased amount of trade and bills receivables as of December 31, 2023. Our trade and other receivables further decreased to RMB1,894.3 million as of December 31, 2024, primarily due to a decrease in trade and bills receivables from RMB1,906.4 million as of December 31, 2023 to RMB1,722.6 million as of December 31, 2024 primarily because of the decrease in demand for our oseltamivir phosphate products caused by a lower incidence of seasonal flu outbreaks in 2024, which resulted in lower revenue.

The table below sets forth, as of the dates indicated, an aging analysis of our trade and bills receivables, net of loss allowance, based on the respective invoice dates.

	As of December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	710,461	1,655,532	862,710
More than 3 months but within 1 year	98,137	250,733	793,625
More than 1 year	54	122	66,221
Total	808,652	1,906,387	1,722,556

We typically offer a credit period of not more than 90 days to our customers. For details of our credit policy to customers, please see "Business — Sales, Marketing and Distribution — Our Distributor Network".

Our management monitors the recoverability of overdue trade and bills receivables, and we provide for impairment of these trade and bills receivables according to the relevant accounting policies. We, in accordance with the relevant accounting standards, recorded loss allowance of RMB11.6 million, RMB16.6 million and RMB144.6 million as of December 31, 2022, 2023 and 2024, respectively, primarily representing overdue amounts from customers.

To manage risks arising from trade and bills receivables, we maintain frequent communications with our customers to ensure effective credit control. The good credit history of our customers and our stable relationship with them also contribute to the relatively long credit term to them, and we believe that the credit risk inherent in our outstanding trade and bills receivables balances due from them is relatively low. We have adopted credit control measures to improve the trade and bills receivables situation. Our business and finance teams prepare trade and bills receivables details on a monthly basis according to the amount of revenue recognized and the amount of cash collection. The details of these trade and bills receivables are allocated to assigned personnel to follow up, including performing balance reconciliation, summarization of cash collection details and trade and bills receivables collection forecast. Meanwhile, we measure loss allowances for trade and bills receivables at an amount equal to the lifetime expected credit losses, which is calculated using a provision matrix. See "— Quantitative and Qualitative Disclosure About Financial Risk — Credit Risk" for details.

We have also taken more active steps to mitigate risk exposure to customers with potential delay settlement of trade and bills receivables and in collecting the outstanding trade and bills receivables, such as (i) allocating additional human resources to enhance collection efforts for trade and bills receivables, (ii) establishing a performance evaluation mechanism to motivate our sales team in this effort, with clear performance indicators, such as collection rate and collection time, (iii) closely supervising the collection process for trade and bills receivables, (iv) regularly following up with customers regarding outstanding receivables, (v) improving the negotiation process for future sales contracts and (vi) building stronger relationships with customers who have a robust credit profile.

As of April 30, 2025, we have subsequently settled RMB926.3 million, or 53.8%, of our outstanding trade and bills receivables as of December 31, 2024. Based on the above, our Directors are of the view that we have maintained effective credit control measures to monitor and improve our credit risks.

The table below sets forth, for the years indicated, the average trade and bills turnover days.

	Year ended December 31,		
	2022	2023	2024
Average trade and bills receivables turnover days[(1)]	60.8	77.6	164.8

Note:

(1) Average trade and bills receivables turnover days are based on the average balance of trade and bills receivables divided by turnover for the relevant year and multiplied by 365 days. Average balance is calculated as the average of the beginning balance and ending balance of a given year.

In 2022, 2023 and 2024, our average trade and bills receivables turnover days were 60.8 days, 77.6 days, and 164.8 days, respectively. Our average trade and bills receivables turnover days in 2022 and 2023 remained relatively stable. Our average trade and bills receivables turnover days in 2024 increased to 164.8 days primarily due to a reduction in seasonal flu outbreaks in 2024, which led to a decline in sales of our major distributors and consequently slowed down our payment collection from these distributors. In 2024, our major distributors increased the purchases of Kewei (oseltamivir phosphate) based on metrics such as regional population data and projected pandemic scale to ensure sufficient drug supply amid uncertainties around the timing and severity of potential outbreaks. However, the actual severity and duration of the flu season were lower than anticipated, resulting in inventory levels exceeding actual market demand. This led to slower inventory turnover for our distributors, which in turn extended our receivables collection period. In view of the challenging market conditions in 2024, we strategically opted to temporarily extend the credit terms for some of our distributors after good-faith negotiations, with the aim of supporting their liquidity needs. We do not consider that the increase in the average trade receivables turnover days during the Track Record Period had or will have a material adverse effect on our cash generated from our operating activities for the following reasons: (i) based on the Frost & Sullivan Report, the size of the anti-influenza drug market is expected to increase by 31.3% from RMB6.7 billion in 2024 to RMB8.8 billion in 2025 and demand for antiviral medications will increase accordingly, and we expect the existing inventory of Kewei (oseltamivir phosphate) held by our distributors to be fully sold in 2025, (ii) majority of our trade and bills receivables are due from major customers that are leading nationwide distributors with strong financial resilience and (iii) we maintain long-term strategic collaborations with our major customers, supported by a dedicated sales team that closely monitors inventory levels, sales trends, and payment collections across key distribution channels. Our Directors are of the view that the risk of not being able to recover the trade and bills receivables is relatively low based on the factors mentioned above and our evaluation of the historical credit standing, ongoing monitoring and the credit records of these customers, and that sufficient loss allowance in respect with our trade and bills receivables has been made.

Financial Assets Measured at Fair Value through Profit or Loss ("FVPL") (Current portion)

Our current financial assets measured at fair value through profit or loss primarily consist of investments in a trust management scheme and foreign currency option contracts. We recorded current financial assets measured at FVPL of RMB290.0 million, RMB18.7 million and RMB3.8 million as of December 31, 2022, 2023 and 2024, respectively, which reflects our investments in a short-term trust management scheme in 2022, and our entry into short-term foreign currency option contracts with licensed financial institutions in 2023 to hedge against the risk of foreign exchange fluctuations arising our USD-denominated interest-bearing borrowings. We no longer hold any investments in short-term trust management scheme and short-term foreign currency option contracts as of December 31, 2024, resulting in a decrease in current financial assets measured at FVPL.

Investment and treasury management policies

Our Board and finance department are mainly responsible for making, implementing and supervising our investment decisions. We implemented during the Track Record Period, and will continue to implement, the following investment and treasury policies:

- the purpose of our investment in financial instruments is to preserve the time value of our cash reserves and to fund our business;

- we only invest in financial instruments when we have surplus cash that is not required for our short-term working capital purposes;

- our finance department is responsible for evaluating the terms of our investment proposals in financial instruments (including, among others, price, liquidity, and expected return), and presenting the investment proposals to the relevant internal governance authority for consideration and approval, each on a case-by-case basis depending on the scale of the proposed investment. Upon approval of the investment proposals, our finance department is responsible for the purchase and management of our financial instruments;

- we evaluate the risk associated with the underlying financial instruments against our liquidity and working capital requirements; and

- in order to ensure that we are in full compliance with national laws and regulations and to minimize our exposure to foreign exchange risk, we only invest in foreign currency option contacts issued by financial institutions approved by SAFE and the PBOC to engage in foreign currency transactions, and our foreign currency related investment proposal plans are subject to stringent internal review and approval procedures taking into consideration the above-mentioned factors.

In addition, we will comply with the requirements under Chapter 14 of the Listing Rules and disclose the details of our investments or other notifiable transactions to the extent necessary and as appropriate after the Listing.

Restricted Cash

Our restricted cash increased from RMB110.3 million as of December 31, 2022 to RMB1,567.3 million as of December 31, 2023 as we increased our bank loans in order to repurchase our outstanding convertible bonds issued by HEC CJ Pharm, subject to which we were required to place funds in escrow. Our restricted cash decreased to RMB435.6 million as of December 31, 2024 because we fully repaid the bank loans that were utilized for the repurchase of outstanding convertible bonds issued by HEC CJ Pharm. As a result of this repayment, a portion of our restricted cash was released from escrow.

Cash and Cash Equivalents

Our cash and cash equivalents primarily consist of cash at bank and cash on hand. Our cash and cash equivalents increased from RMB971.5 million as of December 31, 2022 to RMB1,920.2 million as of December 31, 2023 in line with a significant improvement in our business operations as a result of the resumption of normal social activities. Our cash and cash equivalents decreased from RMB1,920.2 million as of December 31, 2023 to RMB1,480.8 million as of December 31, 2024 due to repayment of bank loans and increases in capital expenditure.

Contract Liabilities

Our contract liabilities primarily consist of advances from customers who are third parties. Our contract liabilities increased significantly from RMB84.5 million as of December 31, 2022 to RMB117.4 million as of December 31, 2023 due to a significant increase in demand for anti-infective drugs in 2023 following the gradual resumption of business activities which caused an increase in the incidence of influenza in the PRC. Our contract liabilities further increased from RMB117.4 million as of December 31, 2023 to RMB155.0 million as of December 31, 2024 primarily due to advances from 3SBIO pursuant to the Clifutinib Agreement.

As of April 30, 2025, RMB53.3 million or 34.3% of our contract liabilities as of December 31, 2024 had been subsequently recognized as revenue.

Trade and Other Payables

Our trade and other payables consist of trade and bills payable related to our cost of sales and research and development costs, amounts due to related parties, VAT and other taxes payable, accrued payroll and benefits, accrued expenses, accrued royalties and other payables for purchasing fixed assets and other payables.

The table below sets forth, as of the dates indicated, our trade and other payables.

	As of December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Trade payables			
– Related parties	66,165	88,074	101,848
– Third parties	408,728	548,857	691,060
	474,893	636,931	792,908
Bills payable	269,883	207,435	537,948
Other non-trade payables to related parties	2,402,404	–	–
VAT and other taxes payable	157,903	152,810	98,330
Accrued payroll and benefits	304,971	335,524	193,226
Accrued expenses	740,417	660,281	589,687
Accrued royalty fee	261,585	356,669	2,630
Other payables for purchasing fixed assets	172,111	136,106	154,303
Other payables	133,223	107,112	52,597
Foreign currency option contracts	–	1,139	–
Total	4,917,390	2,594,007	2,421,629

Our trade and other payables decreased from RMB4,917.4 million as of December 31, 2022 to RMB2,594.0 million as of December 31, 2023, primarily due to the repayment of borrowings from related parties which was reflected in a decrease in the amounts due to related parties. Our trade and other payables further decreased to RMB2,421.6 million as of December 31, 2024 due to a decrease in accrued royalty fee from RMB356.7 million as of December 31, 2023 to RMB2.6 million as of December 31, 2024 because of the settlement of the royalty fee to the Oseltamivir Phosphate Licensor in March 2024 and payments to the Poisons and Drugs Research Office, which was partially offset by an increase in bills payable from RMB207.4 million as of December 31, 2023 to RMB537.9 million as of December 31, 2024 as we increased the use of bills payable to improve our capital efficiency and extend payment cycles.

The table below sets forth, as of the dates indicated, an aging analysis of trade and bills payables.

	As of December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within 1 month	319,969	470,643	528,819
Over 1 month but within 3 months	96,040	104,209	182,142
Over 3 months but within 1 year	254,895	234,128	552,410
Over 1 year	73,872	35,386	67,485
Total	744,776	844,366	1,330,856

Our trade and bills payables are non-interest-bearing. During the Track Record Period, we were typically granted credit period of approximately 30 to 90 days from our suppliers.

As of April 30, 2025, we have subsequently settled RMB630.6 million, or 47.4%, of our outstanding trade and bills payables as of December 31, 2024.

The table below sets forth, for the years indicated, the average trade and bills payables turnover days.

	Year ended December 31,		
	2022	2023	2024
Average trade and bills payables turnover days[1]	311.2	221.6	413.4

Note:

(1) Average trade and bills payables turnover days are based on the average balance of trade and bills payables divided by cost of sale for the relevant year and multiplied by 365 days. Average balance is calculated as the average of the beginning balance and ending balance of a given year.

For 2022, 2023 and 2024, our average trade and bills payables turnover days were 311.2 days, 221.6 days and 413.4 days. A portion of our trade and bills payables was related to our research and development costs. However, such costs were not accounted for in the calculation of our average trade payables turnover days. The decrease in our average trade payables turnover days from 2022 to 2023 primarily reflected our ability to settle our outstanding trade payables more quickly due to an increase in our working capital. The increase in our average trade and bills payables turnover days in 2024 was mainly attributable to our enhanced bargaining power with our suppliers for more favorable credit terms. During the Track Record Period, we did not default on any trade payables that would have a material adverse effect on our financial position.

CERTAIN NON-CURRENT BALANCE SHEET ITEMS

Property, Plant and Equipment

Our property, plant and equipment primarily consist of (i) plant and buildings, (ii) machinery, (iii) office equipment and others, (iv) motor vehicles and (v) construction in progress.

The table below sets forth, as of the dates indicated, a breakdown of our property, plant and equipment.

	As of December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Plant and buildings	1,544,164	1,571,739	1,523,619
Machinery	812,472	1,029,713	1,034,919
Office equipment and others	493,191	479,867	505,229
Motor vehicles	2,772	5,399	5,624
Construction in progress	675,453	645,282	827,172
Total	3,528,052	3,732,000	3,896,563

Our property, plant and equipment increased from RMB3,528.1 million as of December 31, 2022 to RMB3,732.0 million as of December 31, 2023 and RMB3,896.6 million as of December 31, 2024, primarily reflecting the expansion of our manufacturing facilities for the production of new biosimilar and generic drugs and the construction of our new facility for our innovative drugs.

Right-of-use Assets

Our right-of-use assets primarily consist of our ownership interests in leasehold land held for own use and other properties leased for own use.

The table below sets forth, as of the dates indicated, a breakdown of our right-of-use assets.

	As of December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Ownership interests in leasehold land held for own use	360,362	351,444	342,526
Other properties leased for own use	114,095	96,092	151,901
Total	474,457	447,536	494,427

Our right-of-use assets remained relatively stable at RMB474.5 million and RMB447.5 million as of December 31, 2022 and 2023, respectively. Our right-of-use assets increased to RMB494.4 million as of December 31, 2024 due to the renewal of a five-year lease agreement in 2024 for certain leased properties for our own use as office premises, laboratories for research and development and dormitories.

Intangible Assets

Our intangible assets primarily consist of (i) hepatitis C drugs patent, (ii) hepatitis C drugs capitalized development costs, (iii) insulin intellectual property rights, (iv) insulin capitalized development costs, (v) other drugs (generic drug) intellectual property rights, and (vi) other drugs capitalized development costs.

The table below sets forth, as of the dates indicated, a breakdown of our intangible assets.

	As of December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Hepatitis C drugs			
– Patents	242,463	73,119	65,489
– Capitalized development costs	247,561	110,229	117,069
Insulin			
– Intellectual property rights	234,387	300,946	265,253
– Capitalized development costs	144,260	93,399	135,224
Other drugs			
– Generic drug intellectual property rights	810,980	675,459	516,852
– Capitalized development costs	235,206	351,893	473,569
Total	1,914,857	1,605,045	1,573,456

Our intangible assets decreased from RMB1,914.9 million as of December 31, 2022 to RMB1,605.0 million as of December 31, 2023, primarily reflecting (i) the annual amortization of our intangible assets and (ii) the impairment loss that was recognized in connection with the termination of our research and development project of a combination treatment regimen for hepatitis C, which was a strategic decision so that we can channel our resources to other products within the same product line with better market potential. Our intangible assets further decreased to RMB1,573.5 million as of December 31, 2024 due to the annual amortization of our intangible assets.

INDEBTEDNESS

Except as discussed below, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as of April 30, 2025. Our Directors confirm that there had been no material change in our indebtedness since April 30, 2025 and up to the date of this Listing Document.

During the Track Record Period, our indebtedness principally consisted of bank loans and other borrowings, lease liabilities and interest-bearing borrowings. The table below sets forth, as of the dates indicated, a summary of our indebtedness.

	As of December 31,			As of April 30,
	2022	**2023**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Included in current liabilities				
Bank loans	915,431	2,908,886	1,921,061	2,036,097
Obligations arising from sale and leaseback transactions	91,714	380,311	275,164	369,109
Lease liabilities	33,611	31,703	41,147	45,954
Interest-bearing borrowings	2,906,963	–	–	–
Sub-total	3,947,719	3,320,900	2,237,372	2,451,160
Included in non-current liabilities				
Bank loans	2,187,529	1,761,498	2,093,515	2,337,355
Obligations arising from sale and leaseback transactions	62,500	199,815	193,553	235,866
Lease liabilities	82,689	68,578	99,741	124,871
Sub-total	2,332,718	2,029,891	2,386,809	2,698,092
Total	6,280,437	5,350,791	4,624,181	5,149,252

Bank Loans and Other Borrowings

Our bank loans and other borrowings primarily consist of bank loans and obligations arising from sale and leaseback transactions.

The following table sets forth the maturity profile of our bank loans as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year or on demand	915,431	2,908,886	1,921,061
After 1 year but within 2 years	413,291	734,498	1,090,111
After 2 years but within 5 years	1,709,013	1,027,000	918,070
After 5 years	65,225	–	85,334
Total	3,102,960	4,670,384	4,014,576

The following table sets forth a breakdown of our secured and unsecured bank loans as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Unsecured	40,055	149,802	662,320
Secured(1)	3,062,905	4,520,582	3,352,256
Total	3,102,960	4,670,384	4,014,576

Note:

(1) During the Track Record Period, a portion of our bank loans were secured with pledges on our ownership interests in leasehold land held for own use, construction in progress, plant and buildings, bills receivable, restricted cash and equity interest of a subsidiary.

The following table sets forth the maturity profile of our obligations arising from sale and leaseback transactions as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	97,731	409,728	293,538
After 1 year but within 2 years	64,474	140,091	181,625
After 2 years but within 5 years	–	71,113	18,336
Total undiscounted obligations arising from sale and leaseback transactions	162,205	620,932	493,499
Less: total future interest expenses	(7,991)	(40,806)	(24,782)
Total	154,214	580,126	468,717

During the Track Record Period, we used our bank loans and other borrowings to supplement our liquidity. Our bank loans and other borrowings increased from RMB3,257.2 million as of December 31, 2022 to RMB5,250.5 million as of December 31, 2023, primarily reflecting an increase in our bank loans for the purposes of repurchasing our outstanding convertible bonds issued by HEC CJ Pharm. Our bank loans and other borrowings decreased to RMB4,483.3 million as of December 31, 2024 due to the repayment of certain bank loans.

The following table sets forth the interest rate profile of our bank loans and other borrowings as of the dates indicated:

	As of December 31,					
	2022		2023		2024	
	Effective Interest Rate %	*Amount RMB'000*	*Effective Interest Rate %*	*Amount RMB'000*	*Effective Interest Rate %*	*Amount RMB'000*
Fixed rate instruments:						
Bank loans	3.83%-5.00%	185,284	3.20%-4.80%	364,730	3.40%-8.50%	237,332
Convertible bonds	3.00%	2,906,963	N/A	–	N/A	–
Obligations arising from sale and leaseback transactions	4.95%	87,933	4.95%-6.87%	131,753	4.72%-6.86%	362,304
		3,180,180		496,483		599,636

	As of December 31,					
	2022		2023		2024	
	Effective Interest Rate %	*Amount RMB'000*	*Effective Interest Rate %*	*Amount RMB'000*	*Effective Interest Rate %*	*Amount RMB'000*
Floating rate instruments:						
Bank loans	4.19%-5.39%	2,907,009	2.40%-6.95%	4,286,142	2.40%-6.95%	3,671,401
Obligations arising from sale and leaseback transactions	3.65%-6.50%	66,281	3.45%-6.50%	448,373	3.45%-5.65%	106,413
		2,973,290		4,734,515		3,777,814
		6,153,470		5,230,998		4,377,450

Certain of our bank loan agreements require that we maintain or satisfy financial covenants. Our Directors confirm that we had not defaulted in the repayment of the bank loans and other borrowings during the Track Record Period. There was no material covenant in our indebtedness which could significantly limit our ability to undertake additional debt or equity financing, nor was there any breach of covenant during the Track Record Period and up to the Latest Practicable Date. Our Directors confirm that we did not experience any difficulty in obtaining bank loans during the Track Record Period and up to the Latest Practicable Date.

As of April 30, 2025, we had total available credit facilities of RMB7,461.0 million, with an unutilized portion of approximately RMB5,599.0 million. There is no restriction on the use of proceeds from such unutilized credit facilities. Our Directors confirmed that there has not been any material change in our indebtedness since April 30, 2025 up to the date of this Listing Document.

Lease Liabilities

Our lease liabilities primarily consist of our leases of properties for business operation and manufacturing. Our lease liabilities decreased from RMB116.3 million as of December 31, 2022 to RMB100.3 million as of December 31, 2023 due to subsequent depreciation of our right-of-use assets. Our lease liabilities increased from RMB100.3 million as of December 31, 2023 to RMB140.9 million as of December 31, 2024 due to an increase in rental payments in connection with the renewal of a five-year lease agreement. For details about our leased property, please see "Business — Land and Properties — Leased Properties" in this Listing Document.

Interest-bearing Borrowings

Our interest-bearing borrowings represent convertible bonds issued by HEC CJ Pharm. On February 20, 2019, we issued a tranche of convertible bonds which was unsecured, bearing a fixed interest rate of 3.00% per annum, payable semi-annually in arrears on June 30 and December 31 of each year and due to mature on February 20, 2026. The bondholders have the right to convert the bonds to the HEC CJ Pharm's ordinary shares at a fixed price, subject to certain adjustments. As the convertible bonds do not contain an equity component, the conversion option embedded in the convertible bonds is measured at fair value and the liability component is carried at amortized cost. Our convertible bonds had a carrying amount of RMB2,907.0 million as of December 31, 2022. In July 2023, we fully repurchased all our outstanding convertible bonds pursuant to bond purchase agreements entered into with the bondholders and our convertible bonds were nil and nil as of December 31, 2023 and 2024, respectively.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. During the Track Record Period, we entered into a number of related party transactions in relation to the sales and purchases of products and services. The table below sets forth our material related party transactions for the years indicated:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Purchase of goods from(1)			
Ruyuan HEC Pharmaceutical Co., Ltd.	59,901	52,722	92,825
Yichang HEC Biochemical Pharmaceutical Co., Ltd.	39,284	45,024	39,082
Yichang HEC Power Plant Co., Ltd.	33,933	40,822	47,307
Shaoguan HEC Packaging and Printing Co., Ltd.	24,927	37,822	34,165
Shenzhen HEC Industrial Development Co., Ltd.	4,887	6,245	150
	162,932	182,635	213,529
Purchase of property, plant and equipment from(2)			
Yidu Changjiang Machinery Equipment Co., Ltd.	17,817	9,307	2,918
Receive services from(3)			
Yidu Shanchengshuidu Project Construction Co., Ltd.	6,752	12,936	–
Ruyuan HEC Pharmaceutical Co., Ltd.	11,221	8,723	15,837
Yichang HEC Biochemical Pharmaceutical Co., Ltd.	3,186	3,186	3,186
Yichang Shancheng Shuidu Restaurant Co., Ltd.	1,360	13,357	24,075
	22,519	38,202	43,098

	Year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Provide services to(4)			
Dongguan HEC Research Co., Ltd.	354	–	–
Ruyuan HEC Pharmaceutical Co., Ltd.	608	–	1,294
	962	–	1,294
Purchase of intangible assets from(5)			
Dongguan HEC Research Co., Ltd.	20,381	144,977	–
Lease payments from(6)			
Dongguan HEC Research Co., Ltd.	23,545	23,545	28,838
Shenzhen HEC Formed Foil Co., Ltd.	8,752	8,752	9,362
	32,297	32,297	38,200

Notes:

(1) Represented purchases of APIs, packaging and production materials, electricity and steam from these related parties.

(2) Represented purchases of equipment from these related parties.

(3) Represented provision of entrusted processing of materials, sewage treatment and other technical services from related parties to us.

(4) Represented the rendering of generic drug agent registration and testing services from us to related parties.

(5) Represented purchase of generic drug approvals from related parties.

(6) Represented the leasing of properties by us from related parties.

All non-trade amounts due from/to related parties are expected to be fully settled prior to the Listing. Our Directors believe that our transactions with related parties described in Note 32 to the Accountants' Report as set out in Appendix I to this Listing Document during the Track Record Period were conducted in the ordinary course of business on an arm's length basis and on normal commercial terms and/or on terms not less favorable than terms available from independent third parties, which are considered fair, reasonable and in the interest of the Shareholders of the Company as a whole. Our Directors are of the view that the related party transactions did not cause any distortion of our results of operations or make our historical results not reflective in the Track Record Period.

During the Track Record Period, we provided guarantees to our Controlling Shareholders to secure certain commercial loans, which amounted to RMB270.0 million, nil and nil for the years ended December 31, 2022, 2023 and 2024, respectively. As of the Latest Practicable Date, such guarantees have been released. During the Track Record Period, our Controlling

Shareholders provided guarantees in favor of us to secure loans from various commercial banks and financial institutions. As of December 31, 2022, 2023 and 2024, the borrowings guaranteed by our Controlling Shareholders in aggregate amounted to RMB2,770.2 million, RMB3,392.1 million and RMB4,001.1 million, respectively. As of April 30, 2025, our outstanding borrowings guaranteed by our Controlling Shareholders in aggregate amounted to RMB4,440.5 million. We do not intend to discharge such guarantees prior to Listing, and the guarantees will continue to be in effect immediately after the Listing. Please refer to "Connected Transactions" for further details.

COMMITMENTS

Capital Commitments

Our capital commitments during the Track Record Period primarily related to acquisition of fixed assets and intangible assets.

The table below sets forth, as of the dates indicated, our capital commitments.

	As of December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Contracted for			
Acquisition of fixed assets	271,114	580,096	251,134
Acquisition of intangible assets	532,767	491,345	493,973
	803,881	1,071,441	745,107

Our capital commitments increased from RMB803.9 million as of December 31, 2022 to RMB1,071.4 million as of December 31, 2023, primarily due to an improvement in our business operations and an increase in our payments for costs relating to the construction of our manufacturing facilities for the production of new biosimilar and generic drugs and the construction of our new facility for innovative drugs. Our capital commitments decreased from RMB1,071.4 million as of December 31, 2023 to RMB745.1 million as of December 31, 2024, primarily due to a decrease in our payment obligations for the ongoing construction projects.

CONTINGENT LIABILITIES

As of the Latest Practicable Date, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Group.

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into, nor do we expect to enter into, any off-balance sheet arrangements. We also have not entered into any financial guarantees or other relevant commitments. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as owners' equity. We do not have any variable interest in any uncombined entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging with us.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT FINANCIAL RISK

We are exposed to various types of financial risks in the ordinary course of our business, including interest rate risk, credit risk, liquidity risk and currency risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Our interest rate risk arises primarily from bank loans. Bank loans that are at variable rates and at fixed rates expose us to cash flow interest rate risk and fair value interest rate risk respectively.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to our Group. Our credit risk is primarily attributable to trade and bills receivables. We maintain a defined credit policy and the exposures to these credit risks are monitored on an ongoing basis. Our exposure to credit risk arising from cash balances, other receivables and VAT recoverable is limited because the counterparties are banks, financial institutions and tax authorities, for which we consider to have low credit risk. Our management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Our exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when we have significant exposure to individual customers.

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Credit limit is established for each distributor which represents the maximum open amount or credit term without requiring approval from the Directors. We follow up with the customers to settle the due balances and monitors the settlement progress on an ongoing basis. We usually grant a credit term to distributors which is generally due within 0 - 90 days from the date of billing. Normally, we do not obtain collateral from customers.

We measure loss allowances for trade and bills receivables at an amount equal to lifetime expected credit losses, which is calculated using a provision matrix. As our historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between our different customer bases.

For details on our exposure to credit risk and expected credit losses for trade and bills receivables, as well as the movement in the loss allowance account in respect of trade and bills receivables during the Track Record Period, please see Note 30(a) to the Accountants' Report included in Appendix I to this Listing Document.

Liquidity Risk

The Company and its individual subsidiaries are responsible for their own cash management, including short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the bank loans exceed certain predetermined levels of authority. Our policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash, readily realizable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. For details on the maturity profile of our financial liabilities based on contractual undiscounted cash flows, please see Note 30(b) to the Accountants' Report included in Appendix I to this Listing Document.

Currency Risk

We are exposed to currency risk primarily through sales and purchase which give rise to receivables and payables that are denominated in a foreign currency, being a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Hong Kong dollars, Euros and United States dollars.

DIVIDEND POLICY

During the Track Record Period, we did not declare dividends.

Our Board is responsible for submitting proposals in respect of dividend payments, if any, to the Shareholders' general meeting for approval. Our Board may declare dividends in the future after taking into account our distributable profits, financial condition, cash flow, expected future capital expenditure, return to our Shareholders, capital requirements, finance costs, the external financing environment and any other factors that the Directors may deem relevant. Any declaration and payment, as well as the amount of, dividends will be subject to the requirements of our constitutional documents and the PRC Company Law. Under the PRC Company Law and our Articles of Association, dividends are distributed to our Shareholders in proportion to their shareholdings. As of the Latest Practicable Date, we did not have a formal dividend policy or a fixed pay-out ratio for future cash dividends. The payment of dividends may also be limited by legal restrictions and by financing agreements that we may enter into from time to time.

DISTRIBUTABLE RESERVES

The calculation of distributable profits for a company under PRC GAAP differs in a few respects from the calculation under IFRS. As a result, we may not be able to pay any dividends in a given year if we do not have distributable profits as determined under PRC GAAP, even if we have profits for that year as determined under IFRS, or vice versa.

Pursuant to our Articles of Association, following the Listing of our H Shares on the Stock Exchange, the amount of retained earnings available for distribution to our Shareholders shall be the lower of the amount determined in accordance with PRC GAAP and that determined in accordance with IFRS. As of December 31, 2024, we did not have any reserves available for distribution to our Shareholders.

LISTING AND PRIVATIZATION EXPENSES

The estimated total listing and privatization expenses, which are non-recurring in nature, are RMB81.9 million. The expenses consist of (i) fees paid and payable to legal advisors and Reporting Accountants of RMB36.9 million and (ii) other fees and expenses of RMB45.0 million. Among the estimated aggregate amount of our listing and privatization expenses, (i) RMB38.2 million was or is expected to be charged to our consolidated statements of profit or loss, of which RMB3.0 million was recognized as our profit or loss for the year ended December 31, 2023, RMB17.2 million was recognized as our profit or loss for the year ended December 31, 2024 and RMB18.0 million is expected to be recognized as our profit or loss for the year ending December 31, 2025 and (ii) RMB43.7 million is directly attributable to the issuance of new Shares and is expected to be accounted for as a deduction from equity upon the Listing.

ACCUMULATED LOSSES

We recorded accumulated losses as of January 1, 2022 of RMB4,262.6 million as extracted from the Accountants' Report included in Appendix I to this Listing Document and prepared in accordance with IFRS Accounting Standards. We recorded such accumulated losses primarily because prior to our acquisition of 51.41% of the total share capital of HEC CJ Pharm in November 2021, our operations were predominantly focused on research and development activities for both innovative and generic drug candidates, during which period we incurred significant expenditures related to preclinical studies, clinical trials, regulatory processes, and associated operational costs.

KEY FINANCIAL RATIOS

The table below sets forth, as of the dates or for the years indicated, certain financial ratios.

	Notes	Year ended December 31,/ As of December 31,		
		2022	**2023**	**2024**
Liquidity ratios				
Current ratio (times)	*(1)*	0.7	1.0	1.0
Quick ratio (times)	*(2)*	0.6	1.0	0.9
Profitability ratios				
Gross profit margin %	*(3)*	76.6	79.5	76.1
Net profit margin %	*(4)*	N/A	15.9	0.6
Adjusted net profit margin (non-IFRS measure) %	*(5)*	N/A	19.2	7.7
Solvency ratio				
Gearing ratio %	*(6)*	N/A	128.2	103.5

Notes:

(1) Current ratio represents current assets as of a record date divided by current liabilities as of the same record date.

(2) Quick ratio represents current assets excluding inventories as of a record date divided by current liabilities as of the same record date.

(3) Gross profit margin represents the revenue for a period minus the cost of sales for such period divided by the revenue for such period.

(4) Net profit margin represents the profit for a period divided by the revenue for such period. Negative figures are marked as N/A.

(5) Adjusted net profit margin (non-IFRS measure) represents the adjusted net profit (non-IFRS measure) for a period divided by the revenue for such period. For details of adjusted net profit (non-IFRS measure), please see "— Non-IFRS Measure". Negative figures are marked as N/A.

(6) Gearing ratio represents total indebtedness (being bank loans and other borrowings, lease liabilities and interest-bearing borrowings) divided by total equity as of the dates indicated. Negative figures are marked as N/A.

Current Ratio

Our current ratio was 0.7 times and 1.0 times, respectively, as of December 31, 2022 and 2023. The increasing trend of our current ratio during the Track Record Period was mainly because the increase in our current assets outpaced the increase in our current liabilities. Our current ratio remained stable at 1.0 times as of December 31, 2024.

Quick Ratio

Consistent with the changes in our current ratio, our quick ratio was 0.6 times and 1.0 times, respectively, as of December 31, 2022 and 2023. Our quick ratio decreased to 0.9 times as of December 31, 2024 because inventories as a percentage of our current assets increased.

Gross Profit Margin

Please see "— Year-to-Year Comparison of Results of Operations" for a discussion on changes in our gross profit margin during the Track Record Period.

Gearing Ratio

We recorded negative gearing ratio as of December 31, 2022 as we recorded negative total equity as of the same date. Our gearing ratios were 128.2% and 103.5% as of December 31, 2023 and 2024, which were in line with the fluctuations in our bank loans and other borrowings.

NO MATERIAL ADVERSE CHANGE

Please see "Summary — Recent Development — Update on Our Financial Performance for the First Quarter of 2025" for details of our financial performance in the first quarter of 2025.

Our Directors confirm that, up to the date of this Listing Document, save as disclosed in "Summary — Recent Development — Update on Our Financial Performance for the First Quarter of 2025", there has been no material adverse change in our financial, operational, or trading position or prospects since December 31, 2024, which is the end date of the periods reported on in the Accountants' Report included in Appendix I to this Listing Document, and there has been no event since December 31, 2024 that would materially affect the information as set out in the Accountants' Report included in Appendix I to this Listing Document.

FINANCIAL EFFECTS OF THE PRIVATIZATION

As of the Latest Practicable Date, we held approximately 51.4% interest in HEC CJ Pharm, while the remaining 48.6% of outstanding HEC CJ Pharm Shares are held by HEC CJ Pharm Shareholders other than us. As a result, only approximately 51.4% of the profits generated from HEC CJ Pharm is attributable to shareholders of our Company, while the remaining 48.6% of the profits of HEC CJ Pharm is attributable to HEC CJ Pharm Shareholders other than us. Upon the Merger becoming effective, Share Exchange Shareholders will become our Shareholders and HEC CJ Pharm will become our Company's wholly-owned subsidiary. Subsequently, 100% of profits from HEC CJ Pharm will be attributable to the Shareholders of our Company. Please see "Appendix II — Unaudited Pro Forma Financial Information" of this Listing Document which has been prepared for the purpose of illustrating the financial effects of this Privatization.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that as of the Latest Practicable Date, there were no circumstances which, had they been required to comply with Rules 13.13 to 13.19 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

See Appendix II — "Unaudited Pro Forma Financial Information" for details.

During the Track Record Period, we had built advanced R&D platforms, production facilities that meet international standards and an extensive sales network.

We plan to take the following integration initiatives after completion of the Merger and the Listing, so as to accelerate the integration of our business.

OUR STRATEGIC PLANS

We are committed to becoming a vertically integrated world-class pharmaceutical company under the dual driving forces of innovation and internationalization, supported by our excellent commercialization capabilities. By adhering to the corporate mission of "scientific innovation of new drugs for high-quality of healthy life", and focusing on research and development, production and commercialization of innovative drugs, modified new drugs, generic drugs and biosimilars, we are dedicated to developing products with breakthrough potential in both domestic and overseas markets. Through this, we intend to achieve structural optimization and business integration. The Merger and the Listing will enable us to reap further synergies from the integration of "research, production and marketing" and enhance our market competitiveness, which will in turn maximize returns for HEC CJ Pharm's and our shareholders.

Clarify the direction of future development and enhance the ability to give back to shareholders

Prior to the completion of the Merger, the HEC CJ Pharm is still at the stage of continuously exploring further development opportunities. Although it has achieved profitability in recent years, its dividend policy is relatively conservative due to the need to respond to the opportunities and challenges brought about by rapid changes in the market. Upon completion of the Merger, the Enlarged SLP Group will have a clear development direction to become a comprehensive pharmaceutical enterprise integrating research, production and sales. The overall improvement in competitiveness of the Enlarged SLP Group will enhance its ability to give back to shareholders.

Increase capital efficiency and expedite product innovation, continuously upgrading product technology to enhance market dominance

Upon completion of the Merger, we will be able to invest our strong operating cash flow into our research and development activities, thus significantly improving the efficiency of our use of funds and providing sufficient support to our research and development pipeline. With ample funds available, we will continue to invest in the enhancement of our own research and development platform to provide patients with better healthcare solutions and high-quality and affordable pharmaceutical products, with a focus on drugs for fields of indications with huge market potential. Such strong research and development capabilities will also continue to enrich our range of long-term commercialized products in the future, allowing us to build a strong foundation for sustainable business growth and long-term value creation.

Reduce the competition and connected transactions between HEC CJ Pharm and SLP as well as enhance operational efficiency

After completion of the Share Exchange, we will be able to benefit from a more streamlined decision-making process and reduced business decision-making time since restrictions arising from the non-compete agreement between HEC CJ Pharm and SLP will no longer be applicable and transactions between both parties will no longer constitute connected transactions under the Listing Rules. Upon completion of the Merger, we will be able to promptly respond to market changes and various challenges, and flexibly adapt our various drug sales channels to facilitate the dual globalized development of market and technology, creating a Chinese brand that is set to become a world-class pharmaceutical company.

Establish presence in the global capital market and enhance our corporate image

Upon completion of the Listing, we will be able to tap into the international capital market as a listed company. After listing, we can further enhance our business agility through flexible financing. Upon the Merger becoming unconditional and the Listing being completed, we will be listed on the Main Board of the Stock Exchange with a view to becoming a leading listed pharmaceutical company, which will help enhance our image and market presence among our customers, suppliers and other business partners. At the same time, following the completion of the Listing, we can take advantage of our new status as a listed company to widely attract talents through potential and diverse equity incentive schemes, which in turn will also benefit all the Share Exchange Shareholders.

OUR FUTURE DEVELOPMENT AND INTEGRATION INITIATIVES

Facilitate the integration and development of research and development platforms and product pipelines to consistently strengthen competitiveness

We will remain devoted to building an all-round and comprehensive independent research and development system and research and development platform that covers the complete life cycle of drugs, while continuing to invest in the upgrading of our research and development platform and technology, so as to facilitate the continuous commercial development of products such as innovative drugs, modified new drugs, generic drugs and biosimilars, with an aim to continuously enhance our competitive advantage by creating a stable, sustainable and tiered product pipeline.

Enhance our renowned brand image and establish an efficient distribution network

We will continue to promote the presence of our brand in the market. Leveraging the leading market position, brand awareness of Kewei and our rich product pipelines, we will be able to not only enhance our brand image as a leading vertically integrated pharmaceutical company that integrates drug research and development, production and commercialization, as well as continue to foster our brand image as a PRC pharmaceutical company in the overseas market and boost our international reputation through cooperation with overseas partners.

To facilitate the commercial development of our product pipelines, we will continue our efforts to develop a more transparent and efficient international distribution network, strengthen the digitalization of our marketing network and data analysis capabilities, enhance the efficiency of our sales process, and optimize our branding and marketing strategies.

Optimize our overall production system and enhance systematic operational efficiency

We will focus on upgrading all aspects of our production system, accelerating the integration of production facilities and capacity planning, strengthening the deployment of production automation and information technology, coordinating supply chain resources and improving procurement and logistics planning. These would further optimize our cost structure and the quality of our product pipelines, reduce costs and help us deliver high-quality pharmaceutical products to our customers, which in turn would enhance our systematic production operational efficiency.

Consolidate structure and reduce governance costs

We will accelerate the integration of our mid-to-back office structure and promote a smart mid-to-back office system that integrates all processes, incorporating finance, research and development, sales, purchasing, inventory, administrative office systems and digital infrastructure. Moreover, we will optimize and adjust the previous arrangement for connected transactions to improve decision-making and capital allocation efficiency, as well as reduce governance costs.

The following is the text of a report set out on pages I-1 to I-91, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Listing Document.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SUNSHINE LAKE PHARMA CO., LTD. AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

Introduction

We report on the historical financial information of Sunshine Lake Pharma Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-91, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as of 31 December 2022, 2023 and 2024 and the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows, for each of the years ended 31 December 2022, 2023 and 2024 (the "Track Record Period"), and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-91, forms an integral part of this report, which has been prepared for inclusion in the listing document of the Company dated 30 June 2025 (the "Listing Document") in connection with the initial listing of H shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Company's and the Group's financial position as of 31 December 2022, 2023 and 2024 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 29(b) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
30 June 2025

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by KPMG in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(Expressed in Renminbi)

	Note	Years ended 31 December 2022 *RMB'000*	2023 *RMB'000*	2024 *RMB'000*
Revenue	*4*	3,813,566	6,385,616	4,018,905
Cost of sales		(891,377)	(1,308,568)	(960,274)
Gross profit		2,922,189	5,077,048	3,058,631
Other (losses)/income	*5*	(1,294,012)	(422,669)	89,743
Distribution costs		(1,244,177)	(1,577,083)	(1,197,046)
Administrative expenses		(387,872)	(480,720)	(557,116)
Research and development costs		(791,642)	(827,415)	(887,653)
Reversals/(recognition) of impairment loss on trade and other receivables		2,575	(3,079)	(126,011)
(Loss)/profit from operations		(792,939)	1,766,082	380,548
Finance costs	*6(a)*	(686,884)	(380,591)	(239,787)
Share of (loss)/profit of an associate		–	(29)	293
(Loss)/profit before taxation	*6*	(1,479,823)	1,385,462	141,054
Income tax	*7*	63,908	(371,584)	(116,251)
(Loss)/profit for the year		(1,415,915)	1,013,878	24,803
(Loss)/profit for the year attributable to:				
Equity shareholders of the Company		(1,209,205)	184,924	(207,434)
Non-controlling interests		(206,710)	828,954	232,237
(Loss)/profit for the year		(1,415,915)	1,013,878	24,803
(Loss)/earnings per share	*10*			
Basic and diluted (in RMB)		(3.29)	0.44	(0.47)

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in Renminbi)

	Years ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
(Loss)/profit for the year	(1,415,915)	1,013,878	24,803
Other comprehensive income for the year (after tax)			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries	1,018	(1,772)	833
	1,018	(1,772)	833
Total comprehensive income for the year	(1,414,897)	1,012,106	25,636
Total comprehensive income for the year attributable to :			
Equity shareholders of the Company	(1,208,323)	183,324	(206,685)
Non-controlling interests	(206,574)	828,782	232,321
Total comprehensive income for the year	(1,414,897)	1,012,106	25,636

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Renminbi)

	Note	As of 31 December		
		2022	2023	2024
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Fixed assets	*11*			
– Property, plant and equipment		3,528,052	3,732,000	3,896,563
– Right-of-use assets				
– Ownership interests in leasehold land held for own use		360,362	351,444	342,526
– Other properties leased for own use		114,095	96,092	151,901
		4,002,509	4,179,536	4,390,990
Intangible assets	*12*	1,914,857	1,605,045	1,573,456
Goodwill	*13*	–	–	–
Financial assets measured at fair value through profit or loss ("FVPL")	*15*	–	19,587	17,066
Deferred tax assets	*28(b)*	301,634	298,078	283,490
Interests in an associate		–	12,571	25,464
Prepayments	*16*	319,335	130,806	662,288
		6,538,335	6,245,623	6,952,754
Current assets				
Inventories	*17*	366,473	528,980	737,821
Prepayments	*16*	137,972	358,864	426,380
Trade and other receivables	*18*	2,274,423	2,018,488	1,894,293
Financial assets measured at FVPL	*15*	290,000	18,686	3,839
Restricted cash	*19(a)*	110,270	1,567,300	435,617
Cash and cash equivalents	*19(a)*	971,510	1,920,158	1,480,810
		4,150,648	6,412,476	4,978,760
Current liabilities				
Contract liabilities	*20*	84,528	117,375	155,019
Trade and other payables	*21*	4,917,390	2,594,007	2,421,629
Bank loans and other borrowings	*22*	1,007,145	3,289,197	2,196,225
Lease liabilities	*23*	33,611	31,703	41,147
Interest-bearing borrowings	*24*	2,906,963	–	–
Current taxation	*28(a)*	8,672	146,209	231
		8,958,309	6,178,491	4,814,251
Net current (liabilities)/assets		(4,807,661)	233,985	164,509
Total assets less current liabilities		1,730,674	6,479,608	7,117,263

	Note	As of 31 December 2022	2023	2024
		RMB'000	*RMB'000*	*RMB'000*
Non-current liabilities				
Bank loans and other borrowings	*22*	2,250,029	1,961,313	2,287,068
Deferred income	*26*	271,891	274,398	262,954
Lease liabilities	*23*	82,689	68,578	99,741
		2,604,609	2,304,289	2,649,763
Net (liabilities)/assets		(873,935)	4,175,319	4,467,500
Capital and reserves	*29*			
Paid-in capital/share capital		279,627	463,943	463,943
Reserves		(3,968,311)	(136,022)	(119,794)
(Net deficit)/total equity attributable to equity shareholders of the Company		(3,688,684)	327,921	344,149
Non-controlling interests	*14*	2,814,749	3,847,398	4,123,351
(Net deficit)/total equity		(873,935)	4,175,319	4,467,500

The accompanying notes form part of the Historical Financial Information.

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY
(Expressed in Renminbi)

	Note	As of 31 December 2022	2023	2024
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Fixed assets	*11*			
– Property, plant and equipment		318,004	284,142	237,477
– Right-of-use assets				
– Ownership interests in leasehold land held for own use		11,210	10,887	10,565
– Other properties leased for own use		108,306	92,065	154,015
		437,520	387,094	402,057
Intangible assets	*12*	146,190	254,936	469,158
Investments in subsidiaries	*14*	3,415,282	3,415,282	3,415,820
Prepayments	*16*	562,486	14,912	11,980
		4,561,478	4,072,224	4,299,015
Current assets				
Inventories	*17*	27,011	114,360	84,950
Prepayments	*16*	71,250	77,916	119,099
Trade and other receivables	*18*	2,077,904	1,068,024	921,375
Restricted cash	*19*	33,489	–	40,004
Cash and cash equivalents	*19*	40,710	219,506	63,518
		2,250,364	1,479,806	1,228,946
Current liabilities				
Contract liabilities	*20*	1,177,941	798,226	993,144
Trade and other payables	*21*	3,238,884	1,180,895	1,607,830
Bank loans and other borrowings	*22*	783,802	969,679	854,614
Lease liabilities	*23*	29,365	30,032	37,333
		5,229,992	2,978,832	3,492,921
Net current liabilities		(2,979,628)	(1,499,026)	(2,263,975)
Total assets less current liabilities		1,581,850	2,573,198	2,035,040

		As of 31 December		
	Note	**2022**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*
Non-current liabilities				
Bank loans and other borrowings	*22*	1,558,500	1,673,027	1,397,832
Deferred income	*26*	76,207	79,058	71,193
Lease liabilities	*23*	81,056	66,340	105,525
		1,715,763	1,818,425	1,574,550
Net (liabilities)/assets		(133,913)	754,773	460,490
Capital and reserves				
Paid-in capital/share capital	*29(c)*	279,627	463,943	463,943
Reserves	*29(d)*	(413,540)	290,830	(3,453)
(Net deficit)/total equity		(133,913)	754,773	460,490

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in Renminbi)

	Note	Attributable to equity shareholders of the Company									
		Paid-in capital	Capital reserve	Merger reserve	Treasury stock	Exchange reserve	Statutory reserve	Accumulated losses	Total	Non-controlling interests	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		Note 29(c)	*Note 29(d)(i)*		*Note 29(e)*	*Note 29(d)(iv)*	*Note 29(d)(iii)*				
Balance at 1 January 2022		279,158	(728,249)	(3,722,790)	(1,882,868)	5,506	168,983	(4,262,613)	(10,142,873)	3,021,453	(7,121,420)
Changes in equity for 2022:											
Loss and total comprehensive income for the year		–	–	–	–	–	–	(1,209,205)	(1,209,205)	(206,710)	(1,415,915)
Exchange differences on translation of financial statements of overseas subsidiaries		–	–	–	–	1,018	–	–	1,018	–	1,018
Total comprehensive income for the year		–	–	–	–	1,018	–	(1,209,205)	(1,208,187)	(206,710)	(1,414,897)
Capital contribution from shareholders		469	37,531	–	–	–	–	–	38,000	–	38,000
Recognition of financial instruments with preferential rights issued to investors	25	–	(37,531)	–	(469)	–	–	–	(38,000)	–	(38,000)
Disposal of a subsidiary		–	–	–	–	–	–	–	–	6	6
Derecognition of financial instruments with preferential rights issued to investors	25	–	7,564,226	–	98,150	–	–	–	7,662,376	–	7,662,376
Balance at 31 December 2022		279,627	6,835,977	(3,722,790)	(1,785,187)	6,524	168,983	(5,471,818)	(3,688,684)	2,814,749	(873,935)

	Note	Attributable to equity shareholders of the Company										
		Paid-in capital/share capital	Capital reserve	Merger reserve	Treasury stock	Share-based payment reserve	Exchange reserve	Statutory reserve	Accumulated losses	Total	Non-controlling interests	Total equity
		RMB'000 Note 29(c)	RMB'000 Note 29(d)(i)	RMB'000	RMB'000 Note 29(e)	RMB'000 Note 29(d)(ii)	RMB'000 Note 29(d)(iv)	RMB'000 Note 29(d)(iii)	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2023		279,627	6,835,977	(3,722,790)	(1,785,187)	–	6,524	168,983	(5,471,818)	(3,688,684)	2,814,749	(873,935)
Changes in equity for 2023:												
Profit and total comprehensive income for the year		–	–	–	–	–	–	–	184,924	184,924	828,954	1,013,878
Exchange differences on translation of financial statements of overseas subsidiaries		–	–	–	–	–	(1,772)	–	–	(1,772)	–	(1,772)
Total comprehensive income for the year		–	–	–	–	–	(1,772)	–	184,924	183,152	828,954	1,012,106
Capital contribution from shareholders		10,550	1,605,507	–	–	–	–	–	–	1,616,057	–	1,616,057
Deemed contribution from a shareholder	29(e)	–	318,107	–	1,770,384	–	–	–	–	2,088,491	223,829	2,312,320
Conversion into a joint stock limited liability company	29(c)(i)	159,823	(5,144,525)	–	(8,153)	–	–	–	4,992,855	–	–	–
Issuance of new shares	29(c)(ii)	13,943	–	–	–	–	–	–	–	13,943	–	13,943
Equity-settled share-based payment	27	–	–	–	–	108,346	–	–	–	108,346	21,932	130,278
Appropriation of statutory reserve		–	–	–	–	–	–	57,215	(57,215)	–	–	–
Acquisition of non-controlling interests	14(c)	–	6,616	–	–	–	–	–	–	6,616	(42,066)	(35,450)
Balance at 31 December 2023		463,943	3,621,682	(3,722,790)	(22,956)	108,346	4,752	226,198	(351,254)	327,921	3,847,398	4,175,319

	Note	Attributable to equity shareholders of the Company										
		Paid-in capital/share capital	Capital reserve	Merger reserve	Treasury stock	Share-based payment reserve	Exchange reserve	Statutory reserve	Accumulated losses	Total	Non-controlling interests	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		Note 29(c)	*Note 29(d)(i)*		*Note 29(e)*	*Note 29(d)(ii)*	*Note 29(d)(iv)*	*Note 29(d)(iii)*				
Balance at 1 January 2024		463,943	3,621,682	(3,722,790)	(22,956)	108,346	4,752	226,198	(351,254)	327,921	3,847,398	4,175,319
Changes in equity for 2024:												
Profit and total comprehensive income for the year		–	–	–	–	–	–	–	(207,434)	(207,434)	232,237	24,803
Exchange differences on translation of financial statements of overseas subsidiaries		–	–	–	–	–	833	–	–	833	–	833
Total comprehensive income for the year		–	–	–	–	–	833	–	(207,434)	(206,601)	232,237	25,636
Equity-settled share-based payment	27	–	–	–	–	222,829	–	–	–	222,829	43,716	266,545
Balance at 31 December 2024		463,943	3,621,682	(3,722,790)	(22,956)	331,175	5,585	226,198	(558,688)	344,149	4,123,351	4,467,500

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Renminbi)

	Note	Years ended 31 December 2022	2023	2024
		RMB'000	RMB'000	RMB'000
Operating activities				
Cash generated from operations	19(b)	1,417,574	1,548,597	748,173
Corporate Income Tax ("CIT") paid	28(a)	(256,608)	(230,491)	(247,641)
Net cash generated from operating activities		1,160,966	1,318,106	500,532
Investing activities				
Interest received		8,027	41,137	72,792
Payments for purchase of property, plant and equipment		(563,001)	(332,423)	(1,061,906)
Payments for development costs		(237,040)	(162,319)	(163,299)
Payments for purchase of intangible assets		(217,196)	(40,480)	–
Decrease/(increase) in restricted cash		181,501	(1,457,030)	1,131,683
Payments for investments in financial assets measured at FVPL		(290,000)	(1,300,000)	(2,761,573)
Proceeds from disposal of financial assets measured at FVPL		–	1,594,645	2,763,105
Payments for purchase of listed equity securities		–	(15,200)	–
Payment for investment in an associate		–	(12,600)	(12,600)
Dividends received from listed equity securities		–	247	309
Proceeds received from disposal of property, plant and equipment		8,110	1,031	61,283
Net cash (used) in/generated from investing activities		(1,109,599)	(1,682,992)	29,794

	Note	Years ended 31 December 2022	2023	2024
		RMB'000	RMB'000	RMB'000
Financing activities				
Proceeds from bank loans	19(c)	1,897,029	2,682,215	3,100,917
Proceeds from borrowings under sale and leaseback transactions	19(c)	159,239	691,914	379,556
Repayments of bank loans	19(c)	(1,499,069)	(1,123,929)	(3,792,158)
Payments for capital element of obligations arising from sale and leaseback transactions	19(c)	(63,305)	(256,699)	(478,177)
Repurchase of convertible bonds	19(c)	(971,386)	(3,047,989)	–
Interest paid	19(c)	(311,471)	(257,897)	(105,172)
Other borrowing costs paid		(38,560)	(3,854)	(13,907)
Net advance from/(repayment to) related parties	19(c)	2,369,734	(1,225,814)	–
Payment for acquisition of a subsidiary under common control		(1,841,563)	–	–
Deposits paid for sale and leaseback transactions		(7,500)	(9,000)	(375)
Proceeds from capital contribution from shareholders		38,000	1,630,000	–
Deemed contribution from a shareholder		–	2,312,320	–
Payment for acquisition of non-controlling interests		–	(35,450)	–
Capital element of lease rentals paid	19(c)	(36,806)	(35,452)	(35,829)
Interest element of lease rentals paid	19(c)	(7,917)	(6,074)	(6,508)
Listing expenses paid		–	–	(19,013)
Net cash (used in)/generated from financing activities		(313,575)	1,314,291	(970,666)
Net (decrease)/increase in cash and cash equivalents		(262,208)	949,405	(440,340)
Cash and cash equivalents at 1 January		1,232,268	971,510	1,920,158
Effect of foreign exchange rate changes		1,450	(757)	992
Cash and cash equivalents at 31 December	19(a)	971,510	1,920,158	1,480,810

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

Sunshine Lake Pharma Co., Ltd. (廣東東陽光藥業股份有限公司, "the Company"), formerly known as Sunshine Lake Pharma Ltd. (廣東東陽光藥業有限公司), was established as a limited liability company in Dongguan City, Guangdong Province, the People's Republic of China (the "PRC") on 29 December 2003.

On 19 June 2023, the Company was converted into a joint stock limited liability company and with a registered capital of RMB450,000,000 in preparation for the listing of the Company's H shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Upon completion of this conversion, the Company changed its name to Sunshine Lake Pharma Co., Ltd..

The Company and its subsidiaries (together, the "Group") are principally engaged in the research and development, manufacturing and sales of pharmaceuticals. As of the date of this report, the Company has direct or indirect interests in the subsidiaries, principal of which are set out in Note 14.

All companies comprising the Group have adopted 31 December as their financial year end date.

The Historical Financial Information has been prepared in accordance with all applicable IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB"). Further details of the material accounting policy information adopted are set out in Note 2.

The IASB has issued a number of new and revised IFRS Accounting Standards. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRS Accounting Standards to the Track Record Period, except for any new standards or interpretations that are not yet effective for the accounting year beginning on 1 January 2024. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning 1 January 2024 are set out in Note 35.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Historical Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand, unless otherwise indicated except per share data.

2 MATERIAL ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

(a) Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except that the financial assets and derivative financial instruments are stated at fair value as explained in Note 2(q).

(b) Use of estimates and judgements

The preparation of Historical Financial Information in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS Accounting Standards that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statements of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statements of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(j)(ii)) unless the investment is classified as held to sale (or included in a disposal group that is classified as held for sale).

(d) Associates

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over the financial and operating policies.

An interest in an associate is accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequently, the Historical Financial Information include the Group's share of the profit or loss and other comprehensive income of those investees, until the date on which significant influence ceases.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate, after applying the ECL model to such other long-term interests where applicable (see Note 2(j)(i)).

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of impairment.

In the Company's statement of financial position, an investment in an associate is stated at cost less impairment losses (see Note 2(j)(ii)).

(e) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as of the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 2(j)(ii)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Other investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 25.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at fair value through other comprehensive income (FVOCI) (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as of FVPL or FVOCI, are recognised in profit or loss as other income.

(g) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(j)(ii)):

– Plant and buildings held for own use which are situated on leasehold land (see Note 2(i)); and

– Other items of property, plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour and the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 2(x)).

Construction in progress is transferred to respective items under property, plant and equipment when it is ready for its intended use. No depreciation is provided against construction in progress.

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognised in profit or loss.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write-off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

– Plant and buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion

– Machinery	5 – 15 years
– Motor vehicles	5 – 10 years
– Office equipment and others	5 – 15 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(h) Intangible assets (other than goodwill) and research and development expenses

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads. Other development expenditure is recognised as an expense in the period in which it is incurred.

Development cost under intangible assets is transferred to respective items under intangible assets when it is ready for its intended use. No amortisation is provided against development cost.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(j)(ii)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

– Patents	10 – 13 years
– Generic drug intellectual property rights	10 years

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(i) Lease assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Note 2(j)(ii)). The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortised cost. Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of IFRS 16, *Leases*. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

For sale and leaseback transactions, the Group considers whether the initial transfer of the underlying asset to the buyer-lessor is a sale. The Group applies IFRS 15 to determine whether a sale has taken place.

When the transfer to buyer-lessor is a sale, the Group derecognises the underlying asset and applies the lessee accounting model to the leaseback — the Group measures the right-of-use asset at the retained portion of the previous carrying amount (i.e. at cost), and recognises only the amount of any gain or loss related to the rights transferred to the lessor.

When the transfer to buyer-lessor is not a sale, the Group continues to recognise the underlying asset, and recognises a financial liability for any amount received from the buyer-lessor.

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses (ECLs) on the financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade and other receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, current market conditions and forward-looking information. According to the past experience of the Group, the loss patterns for different customers are not significantly different. Therefore, the receivables are not segmented when calculating the loss allowance.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(w)(ii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Write-off policy

The gross carrying amount of a financial asset is written-off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the asset becomes 365 days past due or when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written-off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– Property, plant and equipment;

– Right-of-use assets;

– Intangible assets;

– Interests in an associate;

– Goodwill;

– Prepayments; and

– Investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that are not yet available for use, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if measurable).

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(k) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

A right to recover returned goods is recognised for the right to recover products from customers sold with a right of return. It is measured in accordance with the policy set out in Note 2(w)(i).

(l) Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see Note 2(w)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 2(m)).

(m) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost using the effective interest method and including allowance for credit losses (see Note 2(j)(i)).

(n) Shares issued

Shares issued are classified as equity if they bear discretionary dividends, do not contain any obligations to deliver cash or other financial assets and do not require settlement in a variable number of the Group's equity instruments. Discretionary dividends on such shares issued are recognised as distributions within equity.

A financial liability is recognised if the Group has the obligation to redeem any equity instruments issued on a specific date or at the option of the shareholders (including the options that are only exercisable in case of occurrence of certain contingent triggering events). The liability is recognised and measured at the present value of the exercise price.

(o) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(p) Convertible bonds

Convertible bonds that can be converted into ordinary shares at the option of the holder, where a fixed number of shares are issued for a fixed amount of cash or other financial assets, are accounted for as compound financial instruments, i.e. they contain both a liability component and an equity component.

At initial recognition the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the host liability component. Transaction costs that relate to the issue of the convertible note are allocated to the host liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the host liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

The derivative component is subsequently remeasured at fair value. The host liability component is subsequently carried at amortised cost. Interest expense recognised in profit or loss on the host liability component is calculated using the effective interest method.

If the bonds are converted, the shares issued are measured at fair value and any difference between the fair value of shares issued and the carrying amounts of the derivative and liability components are recognised in profit or loss. If the bonds are redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in profit or loss.

(q) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(r) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(s) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in the Note 2(j)(i).

(t) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Annual contributions to retirement benefit schemes operated by the government in the PRC are recognised in the profit or loss as and when incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

(ii) Share-based payments

The fair value of share-based payments awards granted to employees is recognised as an employee cost with a corresponding increase in share-based payment reserve within equity. The fair value is measured at grant date with reference to the price per share in the latest equity financing transaction or fair value valuation techniques, taking into account the terms and conditions upon which the share-based payments awards were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the shares, the total estimated fair value of share-based payments awards is spread over the vesting period, taking into account the probability that the shares will vest.

During the vesting period, the number of shares that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior periods is charged/credited to the profit or loss for the period of the review with a corresponding adjustment to the share-based payment reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of shares that vest (with a corresponding adjustment to the share-based payment reserve).

(iii) Termination benefits

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

(u) Income tax

Income tax for the period comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the period and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

– temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

– temporary differences related to investments in subsidiaries and associates to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

– taxable temporary differences arising on the initial recognition of goodwill.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are offset only if certain criteria are met.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(v) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(w) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

The Group is the principal for its revenue transactions and recognises revenue on a gross basis, including the sale of goods that are sourced externally. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Revenue from contracts with customers:

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes.

Sale of goods

Revenue is recognised once the products delivered to the location designated by the distributor and accepted as the control of the goods are considered to have been transferred to the distributor. Payment terms and conditions vary by customers and are based on the billing schedule established in the contracts or purchase orders with customers, but the Group generally provides credit terms to customers within six months upon customer acceptance. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component as the period of financing is 12 months or less.

The Group typically offers sales rebates to customers when their purchase amount or settlement amount during the period reaches certain agreed thresholds. Such rights of sales rebates give rise to variable consideration. The Group calculates variable consideration according to the rebate bases and the rebate ratios which are stipulated in the sales contracts. At the time of sale of goods, the Group recognises revenue after taking into account the adjustment to transaction price arising from the aforementioned sales rebates.

(ii) Revenue from other sources and other income

(a) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(j)(i)).

(b) Government grants

Government grants are recognised in the statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised initially as deferred income and amortised to profit or loss on a straight-line basis over the useful life of the asset by way of recognised in other income.

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(y) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of each reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(a) A person, or a close member of that person's family, is related to the Group if that person:

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

(vi) The entity is controlled or jointly controlled by a person identified in (a).

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

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(z) Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING ESTIMATES AND JUDGEMENTS

The key sources of estimation uncertainty and critical accounting judgements in applying the Group's accounting policies are described below.

(a) Impairments

(i) In considering the impairment losses that may be required for certain property, plant and equipment, intangible assets, goodwill, interests in leasehold land held for own use and prepayments, the recoverable amount of these assets needs to be determined. The recoverable amount is the greater of the fair value less costs of disposal and the value in use. It is difficult to precisely estimate the fair value less costs of disposal because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to items such as level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as revenue and operating costs.

(ii) The Group estimates the loss allowances for trade and bills receivables by assessing the ECLs. This requires the use of estimates and judgements. ECLs are based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, and an assessment of both the current and forecast general economic conditions at the end of the reporting period. Where the estimation is different from the original estimate, such difference will affect the carrying amounts of trade and bills receivables and thus the impairment loss in the period in which such estimate is changed. The Group keeps assessing the ECLs of trade and bills receivables during their expected lives.

(b) Development costs

Development costs are capitalised in accordance with the accounting policy for research and development ("R&D") costs in Note 2(h) to the Historical Financial Information. Critical judgement by the Group's management is applied when deciding whether the recognition requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgements are based on the best information available at the end of the reporting period. In addition, all internal activities related to the R&D of new products are continuously monitored by the Group's management.

(c) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses carried forward and deductible temporary differences are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the relevant assets and liabilities, using tax rates enacted or substantively enacted at the end of each reporting date. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and requires a significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

4 REVENUE

(a) Revenue

The principal activities of the Group are research and development, manufacturing and sales of pharmaceuticals.

Revenue represents the sales value of goods supplied to customers. Revenue is after deduction of any trade discounts. The amount of each significant category of revenue is as follows:

	Years ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15			
Sales of anti-infective drugs	3,242,508	5,745,811	2,797,632
Sales of chronic disease treatment drugs	517,258	580,743	1,067,707
Others	53,800	59,062	153,566
	3,813,566	6,385,616	4,018,905

The Group's customer base is diversified and includes three, three, and three customers with whom transactions have exceeded 10% of the Group's revenue for the years ended 31 December 2022, 2023 and 2024, including sales to entities which are known to the Group to be under common control which being treated as a single customer. Revenue from these customers was amounted to RMB2,219,873,000, RMB3,748,539,000, and RMB1,979,757,000 for the years ended 31 December 2022, 2023 and 2024 respectively. Details of concentrations of credit risk arising from these customers are set out in Note 30(a).

The aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contract mainly related to the license transfer contract of the Group. The remaining performance obligations are expected to be recognised as revenue in the future performance period according to the corresponding drug research and development progress.

(b) Segment reporting

(i) Segment information

The Group manages its businesses as a whole by the most senior executive management for the purposes of resource allocation and performance assessment. The Group's chief operating decision maker is the chief executive officer of the Group who reviews the Group's consolidated results of operations in assessing performance of and making decisions about allocations to this segment.

Accordingly, no reportable segment information is presented.

(ii) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, right-of-use assets, intangible assets and other relevant non-current assets ("specified non-current assets"). The geographical location of customers is based on the location at which the customers are registered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, right-of-use assets and the location of the operation to which they are allocated, in the case of intangible assets and other non-current assets.

Revenue from external customers

	Years ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
The PRC	3,753,159	6,335,896	3,880,476
The German Federal Republic (the "GFR")	40,472	32,436	23,512
The United States of America (the "USA")	18,545	14,634	24,716
The United Kingdom (the "UK")	–	–	86,952
Other countries	1,390	2,650	3,249
	3,813,566	6,385,616	4,018,905

Non-current assets

	As of 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
The PRC	6,235,797	5,926,172	6,648,615
The GFR	706	1,706	3,427
The USA	9	16	24
Other countries	189	64	132
	6,236,701	5,927,958	6,652,198

5 OTHER (LOSSES)/INCOME

		Years ended 31 December		
	Note	**2022**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*
Government grants				
– Unconditional subsidies		40,207	38,950	52,036
– Conditional subsidies	*26*	18,272	8,573	15,744
Interest income from bank deposits and investments		8,027	50,111	62,283
Interest income from related parties		44,801	38,782	–
Net gain/(loss) on disposal of property, plant and equipment		699	(3,813)	18,142
Fair value change on derivative financial instruments embedded in convertible bonds	*24(iv)*	(859,569)	(79,796)	–
Fair value change on investments in equity securities	*15(i)*	–	4,387	(2,521)
Net gain on foreign currency option contracts	*15(iii)*	–	17,547	7,681
Fair value change on a private fund investment		–	–	734
Investment income from a trust investment scheme	*15(ii)*	–	4,645	–
Dividend income from listed equity securities		–	247	309
Investment income from a private fund investment		–	–	8,105
Impairment loss on intangible assets	*12*	(190,423)	(468,726)	(68,308)
Impairment loss on goodwill	*13*	(75,896)	–	–
Net foreign exchange loss	*(i)*	(280,732)	(35,284)	(4,377)
Others		602	1,708	(85)
		(1,294,012)	(422,669)	89,743

(i) The amounts mainly represent foreign exchange loss for the years ended 31 December 2022 and 2023 arising from the translation of interest-bearing borrowings (see Note 24) which are denominated in United States Dollar ("USD").

6 (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	Note	Years ended 31 December 2022	2023	2024
		RMB'000	RMB'000	RMB'000
Interest on convertible bonds	24(iv)	257,329	92,178	–
Interest on financial instruments with preferential rights issued to investors	25	172,715	–	–
Interest on lease liabilities		7,917	6,074	6,508
Interest on bank loans and other borrowings		181,598	252,929	253,282
Interest on non-trade payables		86,022	36,958	–
		705,581	388,139	259,790
Less: interest expense capitalised into construction in progress*		(18,697)	(7,548)	(20,003)
		686,884	380,591	239,787

* The borrowing costs have been capitalised at a rate of 3.50% – 5.40%, 3.60% – 5.50%, and 4.00% – 5.50% per annum for the years ended 31 December 2022, 2023 and 2024 respectively.

(b) Staff costs

	Note	Years ended 31 December 2022	2023	2024
		RMB'000	RMB'000	RMB'000
Salaries, wages, bonuses and benefits		915,512	990,644	872,264
Equity-settled share-based payment expenses	27	–	130,278	266,545
Contributions to defined contribution retirement benefit schemes		62,694	59,963	58,597
		978,206	1,180,885	1,197,406

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement benefit schemes (the "Schemes") organised by the local government authorities whereby the Group is required to make contributions to the Schemes based on certain percentages of the eligible employee's salaries. The local government authorities are responsible for the entire pension obligations payable to the retired employees. The Group has no other material obligations for payments of retirement and other post-retirement benefits of employees other than the contributions described above.

The Group's contributions to defined contribution plans are expensed as incurred and not reduced by contributions forfeited by those employees who leave the plans prior to vesting fully in the contributions.

(c) Other items

		Years ended 31 December		
	Note	**2022**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*
Depreciation	*11*	235,227	263,968	293,876
Less: amount capitalised as development costs		(4,275)	(6,152)	(9,224)
		230,952	257,816	284,652
Amortisation	*12*	167,768	162,331	133,622
Less: amount capitalised as development costs		(46)	(206)	(230)
		167,722	162,125	133,392
Auditor's remuneration				
– audit services		2,700	1,950	2,178
– non-audit services		817	867	836
Listing and privatisation expenses		–	3,000	17,191
Lease charges	*11*	12,798	12,469	9,450
Cost of inventories sold*	*17*	603,944	1,114,127	958,323
(Reversals)/recognition of impairment loss on trade and bills receivables		(4,109)	4,979	127,771
Recognition/(reversals) of impairment loss on other trade receivables		1,534	(1,900)	(1,760)
		(2,575)	3,079	126,011

* Cost of inventories include RMB333,600,000, RMB389,719,000, and RMB384,215,000 for the years ended 31 December 2022, 2023 and 2024 respectively relating to staff costs, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(a) Taxation in the consolidated statements of profit or loss represents:

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

(i) Mainland China

Pursuant to the Corporate Income Tax (the "CIT") Law of the Chinese mainland, the Company's Chinese mainland subsidiaries are subject to the CIT at a rate of 25%.

The CIT Law of the Chinese mainland allows enterprises to apply for the certificate of "High and New Technology Enterprise" ("HNTE") which entitles the qualified companies to a preferential income tax rate of 15%. The Company and its subsidiaries, HEC CJ Pharm and Yichang HEC Pharmaceutical Co., Ltd. ("宜昌東陽光製藥有限公司"), were recognised as "HNTE" and enjoyed a preferential CIT rate of 15% for the years ended 31 December 2022, 2023 and 2024.

According to the relevant laws and regulations promulgated by the State Tax Bureau of the Chinese mainland that have been effective from 2021 onwards, enterprises engaging in research and development activities are entitled to claim 200% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year (the "Super Deduction"). The Group has made its best estimate for the Super Deduction to be claimed for the Group's entities in ascertaining their assessable profits for the years ended 31 December 2022, 2023 and 2024.

(ii) ***Hong Kong***

The provision for Hong Kong Profits Tax is subject to Hong Kong's two-tiered profits tax regime, under which the tax rate is 8.25% for assessable profits on the first Hong Kong Dollar ("HKD") 2,000,000 and 16.5% for any assessable profits in excess of HKD2,000,000. The Group's subsidiary in Hong Kong did not have any assessable profits for the years ended 31 December 2022, 2023 and 2024.

(iii) ***The USA***

The Company's subsidiary is registered in New Jersey and is subject to a 9% corporate income tax rate.

(iv) ***The GFR***

The Company's subsidiary is subject to corporate income tax which is charged at a rate of 15% on the taxable income. A 5.5% solidarity surcharge is charged on the CIT, resulting in an effective tax rate of 15.825%. There were no assessable profits for the years ended 31 December 2022, 2023 and 2024.

		Years ended 31 December		
	Note	**2022**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*
Current tax				
Provision for CIT for the year	28(a)	60,532	368,095	95,694
Under/(over)-provision for CIT in respect of prior years	28(a)	6,122	(67)	5,969
		66,654	368,028	101,663
Deferred tax				
Origination and reversal of temporary differences	28(b)	(130,562)	3,556	14,588
Total income tax (credit)/expense		(63,908)	371,584	116,251

(b) Reconciliation between income tax (credit)/expense and accounting (loss)/profit at applicable tax rates:

		Years ended 31 December		
	Note	**2022**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*
(Loss)/profit before taxation		(1,479,823)	1,385,462	141,054
Notional tax on (loss)/profit before taxation, calculated at the rates applicable to loss/profit in the jurisdictions concerned	7(a)	(369,956)	346,366	35,264
Under/(over)-provision for PRC CIT in respect of prior years		6,122	(67)	5,969
Tax effect of non-deductible expenses		58,474	16,855	22,896
Tax effect of preferential tax rate	7(a)	118,479	(175,141)	(47,474)
Tax effect of additional deduction of R&D expenses		(89,028)	(63,252)	(85,614)
Tax effect of additional deduction of expenditure for purchasing machinery and equipment		(13,779)	–	–
Tax effect of utilisation of tax losses not recognised in prior years		(36,571)	(5,611)	(1,001)
Tax effect of recognition of tax losses not recognised in prior years		–	(67,914)	–
Tax effect of derecognition of deferred tax assets recognised in prior years		–	48,431	–
Tax effect of unused tax losses not recognised		262,351	271,917	186,211
Actual tax (credit)/expense		(63,908)	371,584	116,251

8 DIRECTORS' AND SUPERVISORS' REMUNERATION

The details of directors' and supervisors' remuneration are disclosed as follows:

	Year ended 31 December 2022				
	Directors' fees	Salaries, allowances and benefits in kind	Contributions to defined contribution retirement benefit schemes	Discretionary bonuses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors					
Dr. Zhang Yingjun	–	616	36	1,140	1,792
Dr. Li Wenjia	–	518	34	1,219	1,771
Non-executive Directors					
Mr. Tang Xinfa	–	–	–	–	–
Mr. Zhu Yingwei	–	–	–	–	–
Ms. Dong Xiaowei	–	–	–	–	–
Mr. Zhang Jianbin	–	–	–	–	–
Ms. Wang Lei	–	–	–	–	–
Supervisors					
Mr. Mao Degui	–	–	–	–	–
Mr. Chen Gang	–	444	28	598	1,070
Dr. Li Jing	–	451	25	706	1,182
Total	–	2,029	123	3,663	5,815

	Year ended 31 December 2023					
	Directors' fees	Salaries, allowances and benefits in kind	Contributions to defined contribution retirement benefit schemes	Discretionary bonuses	Equity-settled share-based payment *(note (i))*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors						
Dr. Zhang Yingjun	–	527	34	1,296	6,761	8,618
Dr. Li Wenjia	–	450	32	1,344	4,845	6,671
Non-executive Directors						
Mr. Zhang Yushuai (appointed on 5 December 2023)	–	179	14	–	–	193
Mr. Tang Xinfa	–	–	–	–	32,189	32,189
Mr. Zhu Yingwei	–	–	–	–	–	–
Ms. Dong Xiaowei	–	–	–	–	–	–
Mr. Zhang Jianbin	–	–	–	–	–	–
Ms. Wang Lei	–	–	–	–	–	–
Independent Non-executive Directors						
Dr. Li Xintian (appointed on 15 September 2023)	44	–	–	–	–	44
Dr. Yin Hang Hubert (appointed on 15 September 2023)	44	–	–	–	–	44
Dr. Ma Dawei (appointed on 15 September 2023)	44	–	–	–	–	44
Dr. Lin Aimei (appointed on 15 September 2023)	44	–	–	–	–	44
Supervisors						
Mr. Mao Degui	–	–	–	–	–	–
Mr. Chen Gang	–	442	27	523	1,465	2,457
Dr. Li Jing	–	468	25	630	2,254	3,377
Total	176	2,066	132	3,793	47,514	53,681

	Year ended 31 December 2024					
	Directors' fees	Salaries, allowances and benefits in kind	Contributions to defined contribution retirement benefit schemes	Discretionary bonuses	Equity-settled share-based payment *(note (i))*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors						
Dr. Zhang Yingjun	–	526	36	1,296	13,522	15,380
Dr. Li Wenjia	–	477	34	1,344	9,691	11,546
Non-executive Directors						
Mr. Zhang Yushuai	–	328	36	–	–	364
Mr. Tang Xinfa	–	–	–	–	64,378	64,378
Mr. Zhu Yingwei	–	–	–	–	–	–
Ms. Dong Xiaowei	–	–	–	–	–	–
Mr. Zeng Xuebo (appointed on 11 December 2024)	–	–	–	–	–	–
Mr. Zhang Jianbin (resigned on 10 May 2024)	–	–	–	–	–	–
Ms. Wang Lei	–	–	–	–	–	–
Independent Non-executive Directors						
Dr. Li Xintian	150	–	–	–	–	150
Dr. Yin Hang Hubert	150	–	–	–	–	150
Dr. Ma Dawei	150	–	–	–	–	150
Dr. Lin Aimei	150	–	–	–	–	150
Supervisors						
Mr. Mao Degui (resigned on 31 March 2024)	–	–	–	–	–	–
Mr. Li Jing	–	446	27	630	4,507	5,610
Mr. Qing Shiwei (appointed on 11 December 2024)	–	145	22	300	–	467
Mr. Chen Gang	–	442	28	523	2,930	3,923
Total	600	2,364	183	4,093	95,028	102,268

(i) These represent the expense recognised in respect of restricted share units granted to the directors and supervisors under the Company's restricted share scheme. The value of these restricted share units is measured according to the Group's accounting policy for share-based payments transactions as set out in Note 2(t). The details of share-based payment, including the principal terms and number of shares granted, are disclosed in Note 27.

(ii) During the years ended 31 December 2022, 2023 and 2024, no emoluments were paid by the Group to the directors, supervisors or any of the five highest paid individuals set out in Note 9 below as an inducement to join or upon joining the Group or as compensation for loss of office. Except for Mr. Tang Xinfa, Mr. Zhu Yingwei, Ms. Dong Xiaowei, Mr. Zhang Jianbin, Ms. Wang Lei, Mr. Mao Degui, and Mr. Zeng Xuebo, no director or supervisor has waived or agreed to waive any emoluments during the Track Record Period.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three, three, and four of them are the directors/supervisors for the years ended 31 December 2022, 2023 and 2024 respectively, whose emoluments are disclosed in Note 8 above. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	Years ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Salaries and other emoluments	1,115	4,043	486
Discretionary bonuses	1,251	994	994
Contributions to defined contribution retirement benefit schemes	50	39	32
Equity-settled share-based payment	–	4,057	8,113
	2,416	9,133	9,625

The emoluments of the two, two, and one individuals with the highest emoluments for the years ended 31 December 2022, 2023 and 2024, respectively, are within the following band:

	Years ended 31 December		
	2022	2023	2024
	Number of Individuals	*Number of Individuals*	*Number of Individuals*
HKD1,000,001 – HKD1,500,000	2	–	–
HKD3,500,001 – HKD4,000,000	–	1	–
HKD6,000,001 – HKD6,500,000	–	1	–
HKD10,500,001 – HKD11,000,000	–	–	1

10 (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the (loss)/profit attributable to ordinary equity shareholders of the Company and the weighted average number of ordinary shares in issue or deemed to be in issue for the years ended 31 December 2022, 2023 and 2024.

As described in Note 29(c), the Company was converted into a joint stock limited liability company and 450,000,000 ordinary shares of RMB1.00 each were issued in June 2023. For the purpose of calculating basic and diluted (loss)/earnings per share, the weighted average number of ordinary shares deemed to be in issue before the Company's conversion into a joint stock limited liability company was determined assuming the conversion had occurred since 1 January 2022, at the exchange ratio established in the conversion in June 2023.

	Years ended 31 December		
	2022	2023	2024
(Loss)/profit for the year/period attributable to ordinary equity shareholders of the Company (in RMB'000) *(note (a))*	(1,084,623)	184,924	(207,434)
Weighted average number of ordinary shares (in thousands) *(note (b))*	329,704	419,178	440,987
Basic (loss)/earnings per share (in RMB)	(3.29)	0.44	(0.47)

(a) (Loss)/profit attributable to ordinary equity shareholders of the Company

	Years ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
(Loss)/profit for the year/period attributable to all equity shareholders of the Company	(1,209,205)	184,924	(207,434)
Allocation of loss for the year attributable to financial instruments with redemption rights *(Note 25)*	124,582	–	–
(Loss)/profit for the year/period attributable to ordinary equity shareholders of the Company	(1,084,623)	184,924	(207,434)

(b) Weighted average number of ordinary shares in issue or deemed to be in issue

	Years ended 31 December		
	2022	2023	2024
	'000	*'000*	*'000*
Ordinary shares at 1 January in issue or deemed to be in issue	432,912	433,639	463,943
Effect of ordinary shares in issue or deemed to be in issue	606	19,242	–
Effect of financial instruments with redemption rights *(Note 25)*	(37,870)	–	–
Effect of treasury stock contributed from a shareholder *(Note 29(e))*	(42,988)	(10,747)	–
Effect of treasury stock held by share incentive scheme platforms *(Note 29(e))*	(22,956)	(22,956)	(22,956)
Weighted average number of ordinary shares at the end of the year/period in issue or deemed to be in issue	329,704	419,178	440,987

(c) Diluted (loss)/earnings per share

For the year ended 31 December 2022, there were no dilutive potential ordinary shares and therefore, diluted (loss)/earnings per share were the same as the basic (loss)/earnings per share.

For the years ended 31 December 2023 and 2024, the restricted shares of the Company under the 2023 Restricted Share Scheme (Note 27) were not included in the calculation of diluted earnings/(loss) per share because their inclusion would have been anti-dilutive. The Company does not have other potential ordinary shares and therefore diluted earnings/(loss) per share were the same as the basic earnings/(loss) per share.

11 FIXED ASSETS

(a) Reconciliation of carrying amount

The Group

	Property, plant and equipment						Right-of-use assets		
	Plant and buildings	Machinery	Office equipment and others	Motor vehicles	Construction in progress	Sub-total	Ownership interests in leasehold land held for own use	Other properties leased for own use	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:									
At 1 January 2022	1,649,223	1,180,440	669,155	4,426	599,065	4,102,309	413,255	184,107	4,699,671
Additions	10,272	8,401	14,523	35	436,114	469,345	–	41,082	510,427
Transfer from construction in progress	110,319	70,589	178,818	–	(359,726)	–	–	–	–
Disposals	(2,168)	(11,322)	(17,718)	(269)	–	(31,477)	–	(72,538)	(104,015)
At 31 December 2022	1,767,646	1,248,108	844,778	4,192	675,453	4,540,177	413,255	152,651	5,106,083
Additions	3,427	10,231	24,407	853	388,644	427,562	–	18,277	445,839
Transfer from construction in progress	79,874	291,729	44,898	2,314	(418,815)	–	–	–	–
Disposals	–	(14,456)	(22,570)	(173)	–	(37,199)	–	(11,322)	(48,521)
At 31 December 2023	1,850,947	1,535,612	891,513	7,186	645,282	4,930,540	413,255	159,606	5,503,401
Additions	11,383	12,116	20,085	829	450,638	495,051	–	93,082	588,133
Transfer from construction in progress	58,279	111,815	98,557	97	(268,748)	–	–	–	–
Reclassification	(11,181)	3,875	7,306	–	–	–	–	–	–
Disposals	(60,354)	(65,559)	(63,986)	–	–	(189,899)	–	(8,751)	(198,650)
At 31 December 2024	1,849,074	1,597,859	953,475	8,112	827,172	5,235,692	413,255	243,937	5,892,884
Accumulated depreciation:									
At 1 January 2022	(169,939)	(363,496)	(303,356)	(1,295)	–	(838,086)	(43,976)	(81,604)	(963,666)
Charge for the year	(53,980)	(81,029)	(62,715)	(381)	–	(198,105)	(8,917)	(28,205)	(235,227)
Written-back on disposals	437	8,889	14,484	256	–	24,066	–	71,253	95,319
At 31 December 2022	(223,482)	(435,636)	(351,587)	(1,420)	–	(1,012,125)	(52,893)	(38,556)	(1,103,574)
Charge for the year	(55,726)	(82,186)	(80,363)	(495)	–	(218,770)	(8,918)	(36,280)	(263,968)
Written-back on disposals	–	11,923	20,304	128	–	32,355	–	11,322	43,677
At 31 December 2023	(279,208)	(505,899)	(411,646)	(1,787)	–	(1,198,540)	(61,811)	(63,514)	(1,323,865)
Charge for the year	(58,021)	(99,834)	(89,429)	(701)	–	(247,985)	(8,918)	(36,973)	(293,876)
Written-back on disposals	11,774	42,793	52,829	–	–	107,396	–	8,451	115,847
At 31 December 2024	(325,455)	(562,940)	(448,246)	(2,488)	–	(1,339,129)	(70,729)	(92,036)	(1,501,894)
Carrying amount:									
At 31 December 2022	1,544,164	812,472	493,191	2,772	675,453	3,528,052	360,362	114,095	4,002,509
At 31 December 2023	1,571,739	1,029,713	479,867	5,399	645,282	3,732,000	351,444	96,092	4,179,536
At 31 December 2024	1,523,619	1,034,919	505,229	5,624	827,172	3,896,563	342,526	151,901	4,390,990

The Company

	Property, plant and equipment						Right-of-use assets		
	Plant and buildings	Machinery	Office equipment and others	Motor vehicles	Construction in progress	Sub-total	Ownership interests in leasehold land held for own use	Other properties leased for own use	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:									
At 1 January 2022	73,536	422,041	277,772	2,136	31,120	806,605	17,507	134,943	959,055
Additions	782	2,320	5,393	7	1,498	10,000	–	10,999	20,999
Transfer from construction in progress	–	32,618	–	–	(32,618)	–	–	–	–
Disposals	(2,168)	(8,296)	(13,411)	(269)	–	(24,144)	–	(5,516)	(29,660)
At 31 December 2022	72,150	448,683	269,754	1,874	–	792,461	17,507	140,426	950,394
Additions	156	3,252	9,320	4	4,391	17,123	–	17,182	34,305
Transfer from construction in progress	1,047	–	–	–	(1,047)	–	–	–	–
Disposals	–	(13,150)	(20,767)	(173)	–	(34,090)	–	(11,322)	(45,412)
At 31 December 2023	73,353	438,785	258,307	1,705	3,344	775,494	17,507	146,286	939,287
Additions	–	2,806	8,682	309	5,285	17,082	–	99,053	116,135
Transfer from construction in progress	–	5,425	2,593	–	(8,018)	–	–	–	–
Disposals	–	(56,068)	(52,170)	–	–	(108,238)	–	(2,003)	(110,241)
At 31 December 2024	73,353	390,948	217,412	2,014	611	684,338	17,507	243,336	945,181
Accumulated depreciation:									
At 1 January 2022	(21,460)	(221,537)	(201,092)	(645)	–	(444,734)	(5,974)	(53,952)	(504,660)
Charge for the year	(2,201)	(31,312)	(15,594)	(160)	–	(49,267)	(323)	(4,569)	(54,159)
Written-back on disposals	437	6,903	11,948	256	–	19,544	–	26,401	45,945
At 31 December 2022	(23,224)	(245,946)	(204,738)	(549)	–	(474,457)	(6,297)	(32,120)	(512,874)
Charge for the year	(2,209)	(29,885)	(14,425)	(147)	–	(46,666)	(323)	(33,423)	(80,412)
Written-back on disposals	–	10,955	18,688	128	–	29,771	–	11,322	41,093
At 31 December 2023	(25,433)	(264,876)	(200,475)	(568)	–	(491,352)	(6,620)	(54,221)	(552,193)
Charge for the year	(2,246)	(26,993)	(13,042)	(149)	–	(42,430)	(322)	(36,804)	(79,556)
Written-back on disposals	–	41,120	45,801	–	–	86,921	–	1,704	88,625
At 31 December 2024	(27,679)	(250,749)	(167,716)	(717)	–	(446,861)	(6,942)	(89,321)	(543,124)
Carrying amount:									
At 31 December 2022	48,926	202,737	65,016	1,325	–	318,004	11,210	108,306	437,520
At 31 December 2023	47,920	173,909	57,832	1,137	3,344	284,142	10,887	92,065	387,094
At 31 December 2024	45,674	140,199	49,696	1,297	611	237,477	10,565	154,015	402,057

(i) All property, plant and equipment owned by the Group are located in the PRC, the USA, the GFR and Australia.

(ii) As of 31 December 2022, 2023 and 2024, the Group was applying for certificates of ownership for certain properties, with carrying values of RMB453,202,000, RMB441,985,000 and RMB271,636,000 respectively. The directors of the Company are of the opinion that the use of and the conduct of operating activities at the properties referred to above are not affected by the fact that the Group has not yet obtained the relevant property title certificates.

(iii) As of 31 December 2022, 2023 and 2024, amounts of RMB170,532,000, RMB264,928,000 and RMB293,211,000 of ownership interests in leasehold land held for own use, amounts of RMB409,075,000, RMB117,949,000 and RMB228,404,000 of construction in progress, and amounts of RMB609,044,000, RMB667,593,000 and RMB913,422,000 of plant and buildings were held in pledge for bank loans (Note 22(a)) respectively.

(iv) The Group sold some of its machinery and equipment to external parties and leased them back for a term of 1 to 3 years. The Group determined the transfers to buyer-lessor were not considered as sales under IFRS 15, thus the Group continues to recognise the underlying assets, and recognises financial liabilities for the considerations received in accordance with the accounting policy set out in Note 2(i). No gain or loss was recognised from the sale and leaseback transactions for the years ended 31 December 2022, 2023 and 2024. As of 31 December 2022, 2023 and 2024, the carrying amounts of the plant and buildings and machinery pledged for the aforementioned sale and leaseback transactions were RMB367,645,000, RMB551,036,000 and RMB465,444,000 (Note 22(b)) respectively.

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Note	As of 31 December		
		2022	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*
Included in fixed assets:				
– Ownership interests in leasehold land held for own use	*(i)*	360,362	351,444	342,526
– Other properties leased for own use	*(ii)*	114,095	96,092	151,901

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	Years ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Depreciation charge of right-of-use assets by class of underlying assets:			
– Ownership interests in leasehold land held for own use	8,917	8,918	8,918
– Other properties leased for own use	28,205	36,280	36,973
Expense relating to short-term leases	12,798	12,469	9,450

(i) Ownership interests in leasehold land and buildings held for own use

The Group holds several industrial buildings for its pharmaceutical business, where its manufacturing facilities are primarily located. The Group is the registered owner of these property interests, including the whole or part of undivided share in the underlying land. Lump sum payments were made upfront to acquire these property interests from their previous registered owners, and there are no ongoing payments to be made under the terms of the land lease, other than payments based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities.

(ii) Other properties leased for own use

The Group has obtained the right to use other properties as its warehouses and retail stores through tenancy agreements. The leases typically run for an initial period of 2 to 5 years. Lease payments are usually increased every 3 years to reflect market rentals.

(c) Impairment assessment of non-financial assets

The Group follows the guidance of IAS 36 to determine when impairment indicators exist for its property, plant and equipment, right-of-use assets, intangible assets and goodwill. Except for certain intangible assets and goodwill, it was concluded that no impairment indicators existed as at 31 December 2022, 2023 and 2024.

12 INTANGIBLE ASSETS

The Group

	Note	Hepatitis C drugs: Patents	Hepatitis C drugs: Capitalised development costs	Insulin: Intellectual property rights	Insulin: Capitalised development costs	Other drugs: Generic drug intellectual property rights	Other drugs: Capitalised development costs	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:								
At 1 January 2022		431,644	193,809	150,963	199,724	1,169,604	151,540	2,297,284
Addition through internal development		–	76,351	–	54,642	–	83,666	214,659
Addition and transfer from prepayments	16	–	–	–	–	20,381	–	20,381
Transfer from development costs to patents		–	–	110,106	(110,106)	–	–	–
At 31 December 2022		431,644	270,160	261,069	144,260	1,189,985	235,206	2,532,324
Addition through internal development		–	14,581	–	45,000	–	116,687	176,268
Addition and transfer from prepayments	16	–	–	–	–	144,977	–	144,977
Transfer from development costs to patents		–	–	95,861	(95,861)	–	–	–
At 31 December 2023		431,644	284,741	356,930	93,399	1,334,962	351,893	2,853,569
Addition through internal development		–	6,840	–	41,825	–	121,676	170,341
At 31 December 2024		431,644	291,581	356,930	135,224	1,334,962	473,569	3,023,910
Accumulated amortisation:								
At 1 January 2022		(134,172)	–	(9,452)	–	(103,638)	–	(247,262)
Charge for the year		(34,610)	–	(17,230)	–	(115,928)	–	(167,768)
At 31 December 2022		(168,782)	–	(26,682)	–	(219,566)	–	(415,030)
Charge for the year		(29,591)	–	(29,302)	–	(103,438)	–	(162,331)
At 31 December 2023		(198,373)	–	(55,984)	–	(323,004)	–	(577,361)
Charge for the year		(7,630)	–	(35,693)	–	(90,299)	–	(133,622)
At 31 December 2024		(206,003)	–	(91,677)	–	(413,303)	–	(710,983)
Accumulated impairment losses:								
At 1 January 2022		–	–	–	–	(12,014)	–	(12,014)
Recognised in the year	*(iii)*	(20,399)	(22,599)	–	–	(147,425)	–	(190,423)
At 31 December 2022		(20,399)	(22,599)	–	–	(159,439)	–	(202,437)
Recognised in the year	*(iii)*	(139,753)	(151,913)	–	–	(177,060)	–	(468,726)
At 31 December 2023		(160,152)	(174,512)	–	–	(336,499)	–	(671,163)
Recognised in the year	*(iii)*	–	–	–	–	(68,308)	–	(68,308)
At 31 December 2024		(160,152)	(174,512)	–	–	(404,807)	–	(739,471)
Net book value:								
At 31 December 2022		242,463	247,561	234,387	144,260	810,980	235,206	1,914,857
At 31 December 2023		73,119	110,229	300,946	93,399	675,459	351,893	1,605,045
At 31 December 2024		65,489	117,069	265,253	135,224	516,852	473,569	1,573,456

The Company

	Hepatitis C drugs	Insulin	Other drugs		
	Capitalised development costs	Capitalised development costs	Generic drug intellectual property rights	Capitalised development costs	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:					
At 1 January 2022	17,956	747	47	51,382	70,132
Addition through internal development	37,377	7,055	–	31,635	76,067
At 31 December 2022	55,333	7,802	47	83,017	146,199
Addition through internal development	14,580	19,483	–	74,688	108,751
At 31 December 2023	69,913	27,285	47	157,705	254,950
Addition through internal development	5,620	149,316	–	59,291	214,227
At 31 December 2024	75,533	176,601	47	216,996	469,177
Accumulated amortisation:					
At 1 January 2022	–	–	(5)	–	(5)
Charge for the year	–	–	(4)	–	(4)
At 31 December 2022	–	–	(9)	–	(9)
Charge for the year	–	–	(5)	–	(5)
At 31 December 2023	–	–	(14)	–	(14)
Charge for the year	–	–	(5)	–	(5)
At 31 December 2024	–	–	(19)	–	(19)
Net book value:					
At 31 December 2022	55,333	7,802	38	83,017	146,190
At 31 December 2023	69,913	27,285	33	157,705	254,936
At 31 December 2024	75,533	176,601	28	216,996	469,158

(i) The amortisation charge for the year was included in "cost of sales" and "administrative expenses" in the consolidated statements of profit or loss, except to the extent that they are included in the development costs not yet recognised as an expense.

(ii) Development costs were development costs capitalised in accordance with the accounting policy for research and development costs set out in Note 2(h) to the Historical Financial Information.

As of 31 December 2022, 2023 and 2024, the intangible assets under development were not yet ready for intended use.

(iii) Intangible assets of the Group are tested for impairment based on the recoverable amount of the cash-generating unit ("CGU") to which the intangible assets are related. The impairment test has been conducted by management as of 31 December 2022, 2023 and 2024. For the purpose of impairment testing, the recoverable amount of the intangible assets is determined based on value-in-use calculations. These calculations use the cash flow projections based on the financial forecasts approved by management, with reference to professional valuation reports issued by Beijing Kunyuan Zhicheng Asset Appraisal Co., Ltd. and Beijing Zhongtonghua Asset Appraisal Co., Ltd., independent firms of professionally qualified valuers.

The differences were RMB190,423,000, RMB468,726,000 and RMB68,308,000 in total based on the impairment evaluation result, which were recognised as impairment loss in "other (losses)/income" in the consolidated statements of profit or loss for the years ended 31 December 2022, 2023 and 2024 respectively.

(1) Capitalised development costs

Capitalised development costs represent internal development costs capitalised by pharmaceutical products as follows:

	Note	As of 31 December		
		2022	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*
Olorigliflozin	*(a)*	113,446	149,165	209,218
Larotinib	*(a)*	83,016	113,379	125,521
Insulin Degludec	*(a)*	49,917	80,150	91,625
Antaitavir	*(a)*	55,334	69,914	76,754
Liraglutide	*(a)*	38,742	45,023	45,669
Clifutinib	*(a)*	–	44,325	93,157
Emitasvir phosphate follow-up compounds	*(b)*	40,315	40,315	40,315
Insulin Degludec/Insulin Aspart	*(a)*	–	13,250	43,603
Combination therapy with Emitasvir Phosphate and Furaprevir	*(c)*	151,913	–	–
Insulin	*(d)*	94,344	–	–
		627,027	555,521	725,862

Capitalised development costs are tested for impairment annually based on the recoverable amount of the cash-generating unit ("CGU") to which the capitalised development costs are related until the completion or abandonment of the related research and development efforts.

(a) Management regards each of these individual products as a separately identifiable asset and cash-generating unit ("CGU") in the impairment test.

Based on the result of the impairment test, the recoverable amount of each of these individual products calculated based on value in use exceeded their carrying amount as of 31 December 2022, 2023 and 2024, no impairment was recognised.

(b) Emitasvir phosphate follow-up compounds

The new drug application of Emitasvir phosphate follow-up compounds has been accepted by the National Medical Products Administration of the People's Republic of China in August 2023 and the Group is targeting to obtain the new drug approvals and permits in 2025.

Based on the result of the impairment test, the recoverable amount of Emitasvir phosphate follow-up compounds calculated based on value in use exceeded its carrying amount as of 31 December 2022, 2023 and 2024, no impairment was recognised.

(c) CGU of patents, capitalised development costs and goodwill related to a combination therapy with Emitasvir Phosphate and Furaprevir (collectively referred to as "Emitasvir and Furaprevir Combination Therapy Asset Group")

The patents, capitalised development costs and goodwill of Emitasvir and Furaprevir Combination Therapy project are allocated to the Group's CGU of Emitasvir and Furaprevir Combination Therapy Asset Group.

Based on the result of the impairment test of Emitasvir and Furaprevir Combination Therapy Asset Group (see Note 13), impairment losses of RMB75,896,000 on goodwill and RMB42,998,000 on capitalised development costs of Emitasvir and Furaprevir Combination Therapy project and patents of Emitasvir and Furaprevir Combination Therapy drugs were recognised during the year ended 31 December 2022.

During the year ended 31 December 2023, the Group decided to abandon the research and development of Emitasvir and Furaprevir Combination Therapy project due to the delayed progress of the development and the new market competitors introduced. As a result, the capitalised development costs of Emitasvir and Furaprevir Combination Therapy Asset Group and one of the patents related to this development have been fully impaired. Impairment loss on intangible assets of RMB291,666,000 was recognised in "other (losses)/income" in the consolidated statement of profit or loss for the year ended 31 December 2023.

(d) CGU of specific property, plant and equipment, capitalised development costs and intellectual property rights related to insulin (collectively referred to as "Insulin Asset Group")

Based on the result of the impairment test, the recoverable amount of Insulin Asset Group calculated based on value in use exceeded its carrying amount as of 31 December 2022, 2023 and 2024, no impairment was recognised.

(2) Impairment test of capitalised development costs (other than Emitasvir and Furaprevir Combination Therapy Asset Group)

Management has determined CGUs at each product level. The estimated revenue of each drug is based on management's expectations of timing of commercialization. The costs and operating expenses are estimated as a percentage over the revenue forecast period based on the current margin levels of comparable companies with adjustments made to reflect the expected future price changes. The discount rates used are pre-tax and reflect the general business and market risk of the Group. The discount rates are derived from capital asset pricing model by taking applicable market data into account, such as risk free rate, market premium, beta, company specific risk and size premium, etc..

Cash flow projections were based on financial budgets approved by the management of the Group covering 11 to 22 years which consist of development periods up to 2 years, commercialised periods, including growth and mature periods and declining periods, reflecting the periods when the drugs reaching the patent protection period of 20 years. The cash flow projection periods have covered the whole patent protection periods, taking into account of the expected timing of commercialisation, market size and penetration of related products.

The key assumptions used for value-in-use amount calculations as at 31 December 2022,2023 and 2024 are as follows:

	As of 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Oloriglifiozin			
Discount rate	20.81%	23.67%	22.55%
Revenue growth rate	-43.00% to 208.00%	-45.00% to 185.00%	-45.00% to 174.00%
Recoverable amount of CGU	779,000	862,000	1,045,000
Larotinib			
Discount rate	14.29%	12.92%	12.77%
Revenue growth rate	-30.00% to 1,744.64%	-30.00% to 1,744.64%	-30.00% to 7,493.77%
Recoverable amount of CGU	460,759	697,025	584,822
Insulin Degludec			
Discount rate	12.95%	11.33%	10.81%
Revenue growth rate	-10.00% to 84.97%	-10.00% to 84.97%	-19.29% to 269.94%
Recoverable amount of CGU	454,340	717,946	249,924
Antaitavir			
Discount rate	11.52%	10.87%	10.49%
Revenue growth rate	-81.85% to 359.13%	-61.81% to 183.98%	-52.47% to 411.16%

	As of 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Recoverable amount of CGU	421,335	1,288,184	1,199,127
Liraglutide			
Discount rate	22.36%	21.60%	20.51%
Revenue growth rate	-44.00% to 202.00%	-48.00% to 138.00%	-50.00% to 116.00%
Recoverable amount of CGU	179,000	113,000	71,000
Clifutinib			
Discount rate	NA	12.92%	12.77%
Revenue growth rate	NA	-30.00% to 312.81%	-30.00% to 76.72%
Recoverable amount of CGU	NA	233,675	336,716
Emitasvir phosphate follow-up compounds			
Discount rate	11.52%	10.87%	10.49%
Revenue growth rate	-81.85% to 359.13%	-61.81% to 183.98%	-52.47% to 411.16%
Recoverable amount of CGU	446,770	1,301,263	1,209,201
Insulin Degludec/Insulin Aspart			
Discount rate	NA	11.33%	10.81%
Revenue growth rate	NA	-10.00% to 84.97%	-10.00% to 84.97%
Recoverable amount of CGU	NA	673,723	126,665
Combination therapy with Emitasvir Phosphate and Furaprevir			
Discount rate	12.81%	NA	NA
Revenue growth rate	-89.11% to 115.22%	NA	NA
Recoverable amount of CGU	425,057	NA	NA
Insulin			
Discount rate	11.72%	NA	NA
Revenue growth rate	0.00% to 228.41%	NA	NA
Recoverable amount of CGU	1,367,291	NA	NA

Sensitivity analysis

The Group has performed sensitivity tests by increasing 1% of the discount rate or decreasing 5% of the revenue growth rate, which are the key assumptions for determining the recoverable amounts of the CGUs, with all other variables held constant. The impacts on the amounts by which the CGU's recoverable amount exceeds its carrying amount (headroom) are as below:

	As of 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Oloriglifiozin			
Carrying amount	113,446	149,165	209,218
Headroom	665,554	712,835	835,782
Impact by Increasing 1% of discount rate	(60,000)	(60,000)	(49,000)
Impact by decreasing 5% of revenue growth rate	(253,000)	(336,000)	(220,000)
Larotinib			
Carrying amount	83,016	113,379	125,521
Headroom	377,743	583,646	459,301
Impact by Increasing 1% of discount rate	(43,894)	(54,065)	(39,700)
Impact by decreasing 5% of revenue growth rate	(25,644)	(37,156)	(31,337)

	As of 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Insulin Degludec			
Carrying amount	49,917	80,150	91,625
Headroom	404,423	637,796	158,299
Impact by Increasing 1% of discount rate	(50,531)	(66,325)	(20,043)
Impact by decreasing 5% of revenue growth rate	(24,430)	(36,320)	(12,645)
Antaitavir			
Carrying amount	55,334	69,914	76,754
Headroom	366,001	1,218,270	1,122,373
Impact by Increasing 1% of discount rate	(16,240)	(65,751)	(52,835)
Impact by decreasing 5% of revenue growth rate	(32,049)	(95,805)	(89,518)
Liraglutide			
Carrying amount	38,742	45,023	45,669
Headroom	140,258	67,977	25,331
Impact by Increasing 1% of discount rate	(10,000)	(8,000)	(5,000)
Impact by decreasing 5% of revenue growth rate	(39,000)	(41,000)	(17,000)
Clifutinib			
Carrying amount	NA	44,325	93,157
Headroom	NA	189,350	243,559
Impact by Increasing 1% of discount rate	NA	(23,912)	(26,943)
Impact by decreasing 5% of revenue growth rate	NA	(15,114)	(19,652)
Emitasvir phosphate follow-up compounds			
Carrying amount	40,315	40,315	40,315
Headroom	406,455	1,260,948	1,168,886
Impact by Increasing 1% of discount rate	(16,448)	(65,810)	(52,881)
Impact by decreasing 5% of revenue growth rate	(32,035)	(95,805)	(89,518)
Insulin Degludec/Insulin Aspart			
Carrying amount	NA	13,250	43,603
Headroom	NA	660,473	83,062
Impact by Increasing 1% of discount rate	NA	(385,151)	(11,170)
Impact by decreasing 5% of revenue growth rate	NA	(36,735)	(7,186)
Combination therapy with Emitasvir Phosphate and Furaprevir			
Carrying amount	151,913	NA	NA
Headroom	273,144	NA	NA
Impact by Increasing 1% of discount rate	(15,031)	NA	NA
Impact by decreasing 5% of revenue growth rate	(66,786)	NA	NA
Insulin			
Carrying amount	1,285,246	NA	NA
Headroom	82,045	NA	NA
Impact by Increasing 1% of discount rate	(197,243)	NA	NA
Impact by decreasing 5% of revenue growth rate	(401,063)	NA	NA

Considering there was still sufficient headroom based on the assessment, management believes that a reasonably possible change in any of the key assumptions on which management has based its determination of each CGU's recoverable amount would not cause its carrying amount to exceed its recoverable amount.

(3) Generic drugs

Management regards each individual drug's intellectual property rights as a separately identifiable asset and CGU in the impairment test.

Due to the price of generic drugs decreased after they have been included in national centralised procurement, new market competitors introduced or the distribution and production cost increased, the estimated recoverable amount of 11 out of 29, 13 out of 31 and 3 out of 31 generic drugs was less than their respective carrying amount as of 31 December 2022, 2023 and 2024 respectively.

Based on the life cycle of drugs and the market supply and demand of similar drugs, the life of the generic drugs for impairment evaluation is at least 10 years after the drugs listing on the market. The lifecycle of the generic drugs is 10 years in the recoverable amount calculation in the impairment test.

The calculations apply the cash flow projections based on financial budgets approved by management covering a three-year period.

The following sets out the key assumptions for the value in use calculation of generic drugs:

(a) Revenue

Revenue is calculated based on the tax-exclusive selling price and the sales volume, after considering the factors such as market competitors, product launch time, the price and volume in the national centralised procurement.

(b) Cost of goods sold

The cost of goods sold includes the cost of materials and the processing cost, in which the cost of materials is determined in combination with the production data of related units and the market price. The processing cost is mainly determined by reference to the manufacturing cost of similar drugs.

(c) Discount rate

The pre-tax discount rates used in the impairment evaluation were 18.42%, 17.85% and 17.99% as of 31 December 2022, 2023 and 2024 respectively and reflect specific risks relating to the generic drugs.

13 GOODWILL

	RMB'000
Cost:	
At 1 January 2022, 31 December 2022, 31 December 2023 and 31 December 2024	75,896
Impairment losses:	
At 1 January 2022	–
Recognised in the year	(75,896)
At 31 December 2022, 31 December 2023 and 31 December 2024	(75,896)
Carrying amount:	
At 31 December 2022, 31 December 2023 and 31 December 2024	–

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's CGU identified according to country of operation and operating segment.

For the purpose of impairment testing, goodwill has been allocated to the CGU of Emitasvir and Furaprevir Combination Therapy Asset Group including patents and capitalised development costs related to a combination therapy with Emitasvir Phosphate and Furaprevir, and the recoverable amount of the Emitasvir and Furaprevir Combination Therapy Asset Group was determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering thirteen-year period with reference to professional valuation reports issued by independent firm of professionally qualified valuers, Beijing KYSIN Assets Appraisal Co., Ltd.. The projection period was determined to be the remaining intellectual property rights protection period.

The key assumptions used for value-in-use calculations are as follows:

(1) Revenue

Revenue is calculated based on the tax-exclusive selling price and the number of target patients relying on the drug, after considering the factors such as market environment, product launch time, patient population. The total market volume in the future is determined and predicted based on the forecast sales volume and market share.

(2) Costs

The unit cost of the pharmaceutical products estimated by the Company is based on the detailed cost composition analysis and considering the necessary profits considered by API manufacturing enterprises and drug manufacturers.

(3) Discount rate

	As of 31 December		
	2022	**2023**	**2024**
Pre-tax discount rate	12.75%	n/a	n/a

The discount rate used is pre-tax and reflects specific risks relating to the Emitasvir and Furaprevir Combination Therapy Asset Group.

The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

Based on the result of impairment test of Emitasvir and Furaprevir Combination Therapy Asset Group, the goodwill relating to the Emitasvir and Furaprevir Combination Therapy Asset Group has been fully impaired and further impairment of the intangible assets in Emitasvir and Furaprevir Combination Therapy Asset Group amounting to RMB42,998,000 are also recognised in "other income/(losses)" during the year ended 31 December 2022. The impairment loss of Emitasvir and Furaprevir Combination Therapy Asset Group relates to the delayed progress of the development of Emitasvir and Furaprevir Combination Therapy and the new market competitors introduced.

14 INVESTMENTS IN SUBSIDIARIES

(a) Particulars of principal subsidiaries

As of the date of this report, the Company has direct or indirect interests in the following principal subsidiaries. The particulars of the subsidiaries are set out below:

Name of company	Place of establishment/ incorporation and business	Particulars of registered/ paid-in capital	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities
Shenzhen HEC Testing Technology Co., Ltd. *(notes (i) and (iii))* (深圳市東陽光檢測技術有限公司)	PRC	RMB210,000,000/ RMB210,000,000	100.00%	–	Product quality inspection
Dongguan HEC Biopharmaceutical R&D Co., Ltd. *(notes (i) and (iii))* (東莞市東陽光生物藥研發有限公司)	PRC	RMB50,000,000/ Nil	100.00%	–	R&D and transfer of biosimilar drugs and new biologic
Dongguan HEC Generic Drug R&D Co., Ltd. *(notes (i) and (iii))* (東莞市東陽光仿製藥研發有限公司)	PRC	RMB30,000,000/ Nil	100.00%	–	Generic drug research and production
Yichang HEC ChangJiang Pharmaceutical Co., Ltd. *(note (ii))* (宜昌東陽光長江藥業股份有限公司)	PRC	RMB879,967,700/ RMB879,967,700	25.71%	25.71%	Drugs production, wholesale, retail and import and export
Dongguan Yangzhikang Pharmaceutical Co., Ltd. *(notes (i) and (ii))* (東莞市陽之康醫藥有限責任公司)	PRC	RMB50,000,000/ RMB50,000,000	–	51.41%	R&D, production and sales of drugs and biological products
Guangdong HEC Biopharmaceutical Co., Ltd. *(notes (i) and (ii))* (廣東東陽光生物制劑有限公司)	PRC	RMB530,000,000/ RMB530,000,000	–	51.41%	R&D, production and sales of drugs and biologics
Yichang HEC Medical Co., Ltd. *(notes (i) and (ii))* (宜昌東陽光醫藥有限公司)	PRC	RMB2,000,000/ RMB2,000,000	–	51.41%	Drugs wholesale, retail and import and export
Yichang HEC Pharmaceutical Co., Ltd. *(notes (i) and (ii))* (宜昌東陽光製藥有限公司)	PRC	RMB450,000,000/ RMB450,000,000	–	51.41%	Drugs production, wholesale and import and export
Yichang HEC Medical Technology Promotion Service Co., Ltd. *(notes (i) and (vi))* (宜昌東陽光醫藥科技推廣服務有限公司) ("Yichang HEC Medical Technology")	PRC	RMB50,000,000/ RMB46,500,000	–	51.41%	Pharmaceutical information consultation, analysis and investigation and pharmaceutical market promotion
Dongguan HEC Medical Co., Ltd. *(notes (i) and (ii))* (東莞東陽光醫藥有限公司) ("Dongguan HEC Medical")	PRC	RMB683,400,000/ RMB683,400,000	–	51.41%	R&D, production and sales of chemical raw material drugs and chemical preparations
HEC (Hong Kong) Sales Co., Limited *(note (iv))* (香港東陽光銷售有限公司) ("Hong Kong HEC")	Hong Kong	HKD2,290,220,000/ HKD2,290,220,000	100.00%	–	Pharmaceutical sales

Name of company	Place of establishment/ incorporation and business	Particulars of registered/ paid-in capital	Proportion of ownership interest		Principal activities
			Held by the Company	Held by a subsidiary	
HEC Pharm GmbH *(note (vi))* ("Germany HEC")	Germany	EUR50,000/ EUR50,000	90.00%	–	Import, export and distribution of pharmaceutical products, intermediates, and active pharmaceutical ingredients
HEC Pharm USA Inc. *(note (v))* ("US HEC")	The United State of America	USD1,500/ USD1,500	–	100.00%	Import, promotion, and sales of drugs

Notes:

(i) The English translation of the above companies' names is for reference only. The official names of these companies are in Chinese.

(ii) The statutory financial statements of these companies for the years ended 31 December 2022, 2023 and 2024 were audited by KPMG Huazhen LLP Guangzhou Branch (畢馬威華振會計師事務所(特殊普通合夥)廣州分所).

(iii) The statutory financial statements of these companies for the years ended 31 December 2022 were audited by Pan-China Certified Public Accountants Sichuan Branch (天健會計師事務所四川分所). The statutory financial statements of these companies for the year ended 31 December 2023, 2024 were audited by Dongguan Dexinkang Accounting Firm (東莞市德信康會計師事務所有限公司).

(iv) The statutory financial statements of Hong Kong HEC for the years ended 31 December 2022 and 2023 were audited by Conpak CPA Limited (康栢會計師事務所). The statutory financial statements of this company for the year ended 31 December 2024 have not yet been issued.

(v) The statutory financial statements of US HEC for the year ended 31 December 2022 were audited by JTC Accountancy Corp. The statutory financial statements of this company for the years ended 31 December 2023 and 2024 have not yet been issued.

(vi) As of the date of this report, no audited statutory financial statements have been prepared for Germany HEC and Yichang HEC Medical Technology for the years ended 31 December 2022, 2023 and 2024.

(vii) All companies comprising the Group have adopted December 31 as their financial year end date.

(b) Material non-controlling interests

The following table lists out the information relating to HEC CJ Pharm, the only subsidiary of the Group which has material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	As of 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
NCI percentage	48.59%	48.59%	48.59%
Current assets	5,014,020	6,053,056	5,033,403
Non-current assets	6,875,779	6,691,273	7,395,812
Current liabilities	4,940,781	4,332,220	2,840,531
Net assets	6,070,001	7,935,513	8,508,196
Carrying amount of NCI	2,859,465	3,855,866	4,134,132

	Years ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Revenue	3,744,952	6,294,585	3,723,783
Profit and total comprehensive income attributable to equity shareholders of the subsidiary for the year	76,603	1,992,624	482,711
Profit allocated to NCI	37,221	968,216	234,549
Dividend paid to NCI	–	–	–
Cash flows from operating activities	1,699,909	1,673,212	89,418
Cash flows from investing activities	(1,120,161)	554,568	88,261
Cash flows from financing activities	(787,027)	(1,476,899)	(448,313)

(c) Transaction with non-controlling interests

Acquisition of NCI from TaiGen Biopharmaceuticals Co. (Beijing), Ltd. ("TaiGen")

On 22 November 2023, the Company's subsidiary HEC CJ Pharm entered into equity transfer agreement ("Equity Transfer Agreement 2023") with the minority shareholder, TaiGen to acquired remaining 40% equity interests in the Company's subsidiary Dongguan HEC Medical held by TaiGen. The consideration of the equity transfer was USD4,980,000 (equivalent to approximately RMB35,450,000). Upon completion of the equity transfer, HEC CJ Pharm became the sole shareholder of Dongguan HEC Medical and held 100% of the equity interests of Dongguan HEC Medical.

15 FINANCIAL ASSETS/LIABILITIES MEASURED AT FVPL

		As of 31 December		
	Note	2022	2023	2024
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
– Investment in listed equity securities	*(i)*	–	19,587	17,066
Current assets				
– Investment in a trust investment scheme	*(ii)*	290,000	–	–
– Foreign currency option contracts	*(iii)*	–	18,686	–
– Investment in a private fund		–	–	3,839
		290,000	18,686	3,839
Current liabilities				
– Foreign currency option contracts	*(iii)*	–	(1,139)	–

(i) The Group's investment in listed equity securities represented share holdings in Beijing Sunho Pharmaceutical Co., Ltd., a company listed in Beijing Stock Exchange and engaged in manufacturing and sales of pharmaceutical products. The Group classified its investment in listed equity securities to financial assets measured at FVPL, as the investment is held for strategic purposes.

During the year ended 31 December 2023 and 2024, the fair value change in respect of the Group's investment in listed equity securities recognised in consolidated statements of profit or loss amounted to a gain of RMB4,387,000 and a loss of RMB2,521,000 respectively.

(ii) On 27 December 2022, the Group invested in a trust investment scheme established and managed by a trust company as the trustee with the principal of RMB290,000,000. Pursuant to the agreement, the trust scheme is designated to make the majority of its investments in debt and equity securities, while the principal and return of the investment are not guaranteed.

In March 2023, the Group redeemed all investment in the trust investment scheme with the principal amount of RMB290,000,000 at a total consideration of RMB294,645,000 and recognised investment income from this trust investment scheme of RMB4,645,000.

(iii) The Group entered into foreign currency option contracts with banks to mitigate the currency risk arising from certain of its interest-bearing borrowings denominated in USD. All these option contracts are matured within one year. The carrying amount of foreign currency option contracts as a liability is included in the balance of trade and other payables (Note 21).

During the years ended 31 December 2023 and 2024, the fair value gain in respect of the Group's foreign currency option contracts recognised in profit or loss amounted to RMB17,547,000 and RMBB7,681,000 respectively.

16 PREPAYMENTS

The Group

		As of 31 December		
	Note	**2022**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*
Non-current				
Prepayments for intangible assets	*(i)*	119,012	14,516	13,576
Prepayments for property, plant and equipment		200,323	116,290	648,712
		319,335	130,806	662,288
Current				
Prepayments for materials		41,653	32,715	66,063
Prepayments for services		96,319	326,149	360,317
		137,972	358,864	426,380
		457,307	489,670	1,088,668

The Company

	As of 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Non-current			
Prepayments for intangible assets	553,638	8,381	7,441
Prepayments for property, plant and equipment	8,848	6,531	4,539
	562,486	14,912	11,980
Current			
Prepayments for materials	12,273	14,353	23,334
Prepayments for services	58,977	63,563	95,765
	71,250	77,916	119,099
	633,736	92,828	131,079

(i) The Group's prepayments for intangible assets are mainly to acquire pharmaceutical products' know-how, intellectual property rights and ownership rights from Dongguan HEC Research Co., Ltd. (東莞東陽光藥物研發有限公司). As of 31 December 2022, 2023 and 2024, such prepayments of the Group are RMB109,691,000, RMB6,135,000 and RMB nil respectively.

17 INVENTORIES

The Group

	As of 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	236,375	334,967	412,554
Work in progress	73,510	102,955	123,689
Finished goods	51,627	85,265	198,770
Goods in transit	4,961	5,793	2,808
	366,473	528,980	737,821

The Company

	As of 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	18,099	93,796	59,250
Work in progress	8,290	18,579	13,124
Finished goods	249	1,033	12,541
Goods in transit	373	952	35
	27,011	114,360	84,950

The analysis of the amount of inventories recognised as an expense and included in profit and loss is as follows:

		Years ended 31 December		
	Note	2022	2023	2024
		RMB'000	*RMB'000*	*RMB'000*
Carrying amount of inventories sold		544,212	1,089,722	913,673
Write-down of inventories		59,732	24,405	44,650
Cost of inventories sold	*6(c)*	603,944	1,114,127	958,323

18 TRADE AND OTHER RECEIVABLES

The Group

	Note	As of 31 December 2022	2023	2024
		RMB'000	RMB'000	RMB'000
Trade receivables				
– Related parties	32(d)	–	1,643	484
– Third parties		692,714	1,827,441	1,478,085
		692,714	1,829,084	1,478,569
Bills receivable		127,545	93,889	388,561
Less: loss allowance	30(a)	(11,607)	(16,586)	(144,574)
		808,652	1,906,387	1,722,556
VAT recoverable		41,677	63,365	110,009
Other receivables				
– Related parties	32(d)	1,398,718	189	121
– Third parties		34,438	55,974	66,191
		1,433,156	56,163	66,312
Less: loss allowance		(9,062)	(7,427)	(4,584)
		1,465,771	112,101	171,737
Total		2,274,423	2,018,488	1,894,293

The Company

	Note	As of 31 December 2022	2023	2024
		RMB'000	RMB'000	RMB'000
Trade receivables				
– Related parties	32(d)	–	–	57
– Third parties		39,572	83,178	205,898
		39,572	83,178	205,955
Bills receivable		3,169	4,037	7,667
Less: loss allowance		(207)	(165)	(8,102)
		42,534	87,050	205,520
VAT recoverable		2,191	22,484	5,218
Other receivables				
– Related parties	32(d)	1,195,308	–	–
– Third parties		843,129	961,192	712,280
		2,038,437	961,192	712,280
Less: loss allowance		(5,258)	(2,702)	(1,643)
		2,035,370	980,974	715,855
Total		2,077,904	1,068,024	921,375

(i) Bills receivable with a total carrying value of RMB10,667,000, RMB19,512,000 and RMB105,843,000 were pledged as securities of bank loans of the Group as of 31 December 2022, 2023 and 2024 (see Note 22(a)) respectively.

(ii) Bills receivable with a total carrying value of RMB38,370,000, nil and RMB877,000 were pledged as securities of issuing bills payable by the Group as of 31 December 2022, 2023 and 2024 respectively.

Ageing analysis

As of the end of each reporting period, the ageing analysis of trade and bills receivables (which are included in trade and other receivables), based on the invoice date and net of loss allowance, is as follows:

The Group

	As of 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	710,461	1,655,532	862,710
More than 3 months but within 1 year	98,137	250,733	793,625
More than 1 year	54	122	66,221
	808,652	1,906,387	1,722,556

The Company

	As of 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	35,518	50,019	128,364
More than 3 months but within 1 year	7,016	18,024	75,304
More than 1 year	–	19,007	1,852
	42,534	87,050	205,520

Trade debtors are generally due within 0-90 days from the date of billing. Bills receivable is due in 3 months or 6 months from the date of billing. The Group's credit policy is set out in Note 30(a). All of the trade and other receivables of the Group are expected to be recovered within one year.

19 CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

The Group

		As of 31 December		
	Note	2022	2023	2024
		RMB'000	*RMB'000*	*RMB'000*
Cash on hand		6	–	–
Cash at bank		1,081,774	3,487,458	1,916,427
Less: restricted cash	*(i)*	(110,270)	(1,567,300)	(435,617)
Cash and cash equivalents in the consolidated statements of financial position and consolidated statements of cash flows		971,510	1,920,158	1,480,810

The Company

	Note	As of 31 December 2022	2023	2024
		RMB'000	*RMB'000*	*RMB'000*
Cash at bank		74,199	219,506	103,522
Less: restricted cash	*(i)*	(33,489)	–	(40,004)
Cash and cash equivalents in the statements of financial position		40,710	219,506	63,518

(i) As of 31 December 2022, 2023 and 2024, restricted cash mainly represented as follows: (1) pledges to banks for issuance of bills payable, letters of credit and loans; (2) restricted accounts opened and held for the purpose of credit business and receiving investment funds; (3) funds borrowed for limited purposes of use.

(ii) As of 31 December 2022, 2023 and 2024, cash at bank situated in Mainland China amounted to RMB1,075,548,000, RMB3,463,307,000 and RMB1,904,633,000 respectively. Remittance of funds out of Mainland China is subject to relevant rules and regulations of foreign exchange control.

(b) Reconciliation of (loss)/profit before taxation to cash generated from operations:

	Note	Years ended 31 December 2022	2023	2024
		RMB'000	*RMB'000*	*RMB'000*
(Loss)/profit before taxation		(1,479,823)	1,385,462	141,054
Adjustments for:				
Depreciation	*6(c)*	230,952	257,816	284,652
Amortisation	*6(c)*	167,722	162,125	133,392
Interest income	*5*	(52,828)	(88,893)	(62,283)
Finance costs	*6(a)*	686,884	380,591	239,787
Net (gain)/loss on disposal of property, plant and equipment	*5*	(699)	3,813	(18,142)
Impairment loss on intangible assets	*5*	190,423	468,726	68,308
Impairment loss on goodwill	*5*	75,896	–	–
Fair value change on investment in equity securities	*5*	–	(4,387)	2,521
Fair value change on derivative financial instruments embedded in convertible bonds	*5*	859,569	79,796	–
Net gain on foreign currency option contracts	*5*	–	(17,547)	(7,681)
Fair value change on investment in a private fund	*5*	–	–	734
Investment income from a trust investment scheme	*5*	–	(4,645)	–
Investment income from a private fund	*5*	–	–	(8,105)
Equity-settled share-based payment expenses	*27*	–	130,278	266,545
Share of loss/(profit) of an associate		–	29	(293)
Dividend income from listed equity securities	*5*	–	(247)	(309)
Net foreign exchange loss		280,301	34,268	4,220
Changes in working capital:				
Increase in inventories		(36,280)	(162,507)	(208,841)
(Increase)/decrease in trade and other receivables		(511,256)	46,418	1,436
Increase/(decrease) in trade and other payables		1,006,713	(1,122,499)	(88,822)
Cash generated from operations		1,417,574	1,548,597	748,173

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Note	**Bank loans and other borrowings**	**Lease liabilities**	**Interest-bearing borrowings**	**Financial instruments with preferential rights issued to investors**	**Non-trade payables/ (receivables)**	**Total**
		RMB'000 *(Note 22)*	*RMB'000* *(Note 23)*	*RMB'000* *(Note 24)*	*RMB'000* *(Note 25)*	*RMB'000*	*RMB'000*
At 1 January 2022		2,759,933	106,927	2,600,125	7,451,661	(1,179,851)	11,738,795
Changes from financing cash flows:							
Proceeds from bank loans		1,897,029	–	–	–	–	1,897,029
Proceeds from borrowings under sale and leaseback transactions		159,239	–	–	–	–	159,239
Repayments of bank loans		(1,499,069)	–	–	–	–	(1,499,069)
Payments for capital element of obligations arising from sale and leaseback transactions		(63,305)	–	–	–	–	(63,305)
Repurchase of convertible bonds		–	–	(971,386)	–	–	(971,386)
Proceeds from issuance of new shares with preferential rights		–	–	–	38,000	–	38,000
Capital element of lease rentals paid		–	(36,806)	–	–	–	(36,806)
Interest element of lease rentals paid		–	(7,917)	–	–	–	(7,917)
Net advance from non-trade payables and receivables		–	–	–	–	2,369,734	2,369,734
Interest paid		(176,675)	–	(78,485)	–	(56,311)	(311,471)
Total changes from financing cash flows		317,219	(44,723)	(1,049,871)	38,000	2,313,423	1,574,048
Other changes:							
Interest expense	*6(a)*	181,598	7,917	257,329	172,715	86,022	705,581
Interest income	*5*	–	–	–	–	(44,801)	(44,801)
Fair value change on derivative financial instruments embedded in convertible bonds	*24(iv)*	–	–	859,569	–	–	859,569
Derecognition of financial instruments with preferential rights issued to investors		–	–	–	(7,662,376)	–	(7,662,376)
Net increase in lease liabilities from entering into new leases and early termination		–	46,179	–	–	–	46,179
Derecognition of bank loans	*(i)*	(1,576)	–	–	–	–	(1,576)
Exchange adjustment		–	–	239,811	–	–	239,811
At 31 December 2022		3,257,174	116,300	2,906,963	–	1,174,793	7,455,230

	Note	Bank loans and other borrowings	Lease liabilities	Interest-bearing borrowings	Non-trade payables/ (receivables)	Total
		RMB'000 (Note 22)	RMB'000 (Note 23)	RMB'000 (Note 24)	RMB'000	RMB'000
At 1 January 2023		3,257,174	116,300	2,906,963	1,174,793	7,455,230
Changes from financing cash flows:						
Proceeds from bank loans		2,682,215	–	–	–	2,682,215
Proceeds from borrowings under sale and leaseback transactions		691,914	–	–	–	691,914
Repayments of bank loans		(1,123,929)	–	–	–	(1,123,929)
Payments for capital element of obligations arising from sale and leaseback transactions		(256,699)	–	–	–	(256,699)
Repurchase of convertible bonds		–	–	(3,047,989)	–	(3,047,989)
Capital element of lease rentals paid		–	(35,452)	–	–	(35,452)
Interest element of lease rentals paid		–	(6,074)	–	–	(6,074)
Net repayment of non-trade payables and receivables		–	–	–	(1,225,814)	(1,225,814)
Interest (paid)/received		(244,064)	–	(66,678)	52,845	(257,897)
Total changes from financing cash flows		1,749,437	(41,526)	(3,114,667)	(1,172,969)	(2,579,725)
Other changes:						
Interest expense	*6(a)*	252,929	6,074	92,178	36,958	388,139
Interest income	*5*	–	–	–	(38,782)	(38,782)
Fair value change on derivative financial instruments embedded in convertible bonds		–	–	79,796	–	79,796
Net increase in lease liabilities from entering into new leases and early termination		–	19,433	–	–	19,433
Derecognition of bank loans	*(i)*	(8,845)	–	–	–	(8,845)
Exchange adjustment		(185)	–	35,730	–	35,545
At 31 December 2023		5,250,510	100,281	–	–	5,350,791

	Note	Bank loans and other borrowings	Lease liabilities	Total
		RMB'000	*RMB'000*	*RMB'000*
		(Note 22)	*(Note 23)*	
At 1 January 2024		5,250,510	100,281	5,350,791
Changes from financing cash flows:				
Proceeds from bank loans		3,100,917	–	3,100,917
Proceeds from borrowings under sale and leaseback transactions		379,556	–	379,556
Repayments of bank loans		(3,792,158)	–	(3,792,158)
Payments for capital element of obligations arising from sale and leaseback transactions		(478,177)	–	(478,177)
Capital element of lease rentals paid		–	(35,829)	(35,829)
Interest element of lease rentals paid		–	(6,508)	(6,508)
Interest paid		(105,172)	–	(105,172)
Total changes from financing cash flows		(895,034)	(42,337)	(937,371)
Other changes:				
Interest expense	*6(a)*	253,282	6,508	259,790
Net increase in lease liabilities from entering into new leases and early termination		–	76,436	76,436
Derecognition of bank loans	*(i)*	(86,331)	–	(86,331)
Exchange adjustment		(39,134)	–	(39,134)
At 31 December 2024		4,483,293	140,888	4,624,181

(i) The amount represents the derecognition of bank loans of discounted bills with recourse upon the maturity of respective bills receivable for the years ended 31 December 2022, 2023 and 2024.

20 CONTRACT LIABILITIES

The Group

	As of 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Sales of goods			
– Billing in advance of performance	84,528	117,375	155,019

The Company

	As of 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Research and development projects			
– Billing in advance of performance	1,168,908	784,872	901,502
Sales of goods			
– Billing in advance of performance	9,033	13,354	91,642
	1,177,941	798,226	993,144

Contract liabilities are recognised when customers make a payment after billing before the Group satisfies its performance obligation until they receive the goods or the milestones of project work are completed.

Movements in contract liabilities

The Group

	Years ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Balance at 1 January	87,136	84,528	117,375
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(75,568)	(70,241)	(76,776)
Increase in contract liabilities as a result for billing in advance of sales of goods	72,960	103,088	114,420
Balance at 31 December	84,528	117,375	155,019

The Company

	Years ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Balance at 1 January	1,189,728	1,177,941	798,226
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(268,223)	(609,880)	(116,988)
Increase in contract liabilities as a result of billing in advance for research and development projects	247,861	221,486	226,091
Increase in contract liabilities as a result of billing in advance for sales of goods	8,575	8,679	85,815
Balance at 31 December	1,177,941	798,226	993,144

The amount of contract liabilities expected to be recognised as income after more than one year of the Group is RMB10,854,000, RMB8,402,000 and RMB58,743,000 as of 31 December 2022, 2023 and 2024 respectively. The amounts of contract liabilities expected to be recognised as income after more than one year of the Company is RMB627,520,000, RMB781,372,000 and RMB926,742,000 as of 31 December 2022, 2023 and 2024 respectively. All of the other contract liabilities are expected to be recognised as income within one year.

21 TRADE AND OTHER PAYABLES

The Group

	Note	As of 31 December 2022	2023	2024
		RMB'000	RMB'000	RMB'000
Trade payables				
– Related parties	32(d)	66,165	88,074	101,848
– Third parties		408,728	548,857	691,060
		474,893	636,931	792,908
Bills payable		269,883	207,435	537,948
Other non-trade payables to related parties	32(d)	2,402,404	–	–
VAT and other taxes payable		157,903	152,810	98,330
Accrued payroll and benefits		304,971	335,524	193,226
Accrued expenses		740,417	660,281	589,687
Accrued royalty fee		261,585	356,669	2,630
Other payables for purchasing fixed assets		172,111	136,106	154,303
Other payables		133,223	107,112	52,597
Foreign currency option contracts		–	1,139	–
		4,917,390	2,594,007	2,421,629

The Company

	Note	As of 31 December 2022	2023	2024
		RMB'000	RMB'000	RMB'000
Trade payables				
– Related parties	32(d)	15,889	81,146	77,352
– Third parties		340,874	416,182	532,528
		356,763	497,328	609,880
Bills payable		173,261	93,500	213,000
Other non-trade payables to related parties	32(d)	2,387,567	–	–
VAT and other taxes payable		2,329	5,763	1,249
Accrued payroll and benefits		81,782	77,813	74,421
Other payables		237,182	506,491	709,280
		3,238,884	1,180,895	1,607,830

All trade and other payables (including amounts due to related parties) are expected to be settled within one year or are repayable on demand.

An ageing analysis of trade and bills payables based on the invoice date is as follows:

The Group

	As of 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within 1 month	319,969	470,643	528,819
Over 1 month but within 3 months	96,040	104,209	182,142
Over 3 months but within 1 year	254,895	234,128	552,410
Over 1 year	73,872	35,386	67,485
	744,776	844,366	1,330,856

The Company

	As of 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within 1 month	229,668	339,939	437,963
Over 1 month but within 3 months	70,274	76,841	126,723
Over 3 months but within 1 year	202,558	169,200	245,502
Over 1 year	27,524	4,848	12,692
	530,024	590,828	822,880

22 BANK LOANS AND OTHER BORROWINGS

The Group

		As of 31 December		
	Note	2022	2023	2024
		RMB'000	*RMB'000*	*RMB'000*
Non-current				
Bank loans	*22(a)*	2,187,529	1,761,498	2,093,515
Obligations arising from sale and leaseback transactions	*22(b)*	62,500	199,815	193,553
		2,250,029	1,961,313	2,287,068
Current				
Bank loans	*22(a)*	915,431	2,908,886	1,921,061
Obligations arising from sale and leaseback transactions	*22(b)*	91,714	380,311	275,164
		1,007,145	3,289,197	2,196,225
		3,257,174	5,250,510	4,483,293

The Company

	Note	As of 31 December 2022	2023	2024
		RMB'000	*RMB'000*	*RMB'000*
Non-current				
Bank loans	*22(a)*	1,558,500	1,507,500	1,346,250
Obligations arising from sale and leaseback transactions	*22(b)*	–	165,527	51,582
		1,558,500	1,673,027	1,397,832
Current				
Bank loans	*22(a)*	767,530	743,448	737,356
Obligations arising from sale and leaseback transactions	*22(b)*	16,272	226,231	117,258
		783,802	969,679	854,614
		2,342,302	2,642,706	2,252,446

(a) Bank loans

The analysis of the repayment schedule of bank loans is as follows:

The Group

	As of 31 December 2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year or on demand	915,431	2,908,886	1,921,061
After 1 year but within 2 years	413,291	734,498	1,090,111
After 2 years but within 5 years	1,709,013	1,027,000	918,070
After 5 years	65,225	–	85,334
	2,187,529	1,761,498	2,093,515
Total	3,102,960	4,670,384	4,014,576

The Company

	As of 31 December 2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year or on demand	767,530	743,448	737,356
After 1 year but within 2 years	317,000	580,500	664,250
After 2 years but within 5 years	1,241,500	927,000	682,000
	1,558,500	1,507,500	1,346,250
Total	2,326,030	2,250,948	2,083,606

As of 31 December 2022, 2023 and 2024, the bank loans were secured as follows:

The Group

	As of 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Unsecured	40,055	149,802	662,320
Secured	3,062,905	4,520,582	3,352,256
Total	3,102,960	4,670,384	4,014,576

The Company

	As of 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Secured	2,326,030	2,250,948	2,083,606

(i) The Group's bank loans were secured as follows:

The Group

		As of 31 December		
		2022	2023	2024
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Ownership interests in leasehold land held for own use	*11(a)(iii)*	170,532	264,928	293,211
Construction in progress	*11(a)(iii)*	409,075	117,949	228,404
Plant and buildings	*11(a)(iii)*	609,044	667,593	913,422
Bills receivable	*18(i)*	10,667	19,512	105,843
Restricted cash		–	1,545,237	284,507
Equity interest of a subsidiary		1,560,266	2,039,788	–
		2,759,584	4,655,007	1,825,387

The Company

		As of 31 December		
		2022	2023	2024
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Ownership interests in leasehold land held for own use	*11(a)*	11,210	10,887	10,565
Restricted cash		–	–	40,000
Equity interest of a subsidiary		1,560,266	2,039,788	–
		1,571,476	2,050,675	50,565

As of 31 December 2022, 2023 and 2024, apart from the above secured assets, the respective bank loans of RMB2,616,029,000, RMB2,812,021,000 and RMB3,373,597,000 were additionally guaranteed by the ultimate controlling parties, Mr. Zhang Yushuai and Ms. Guo Meilan and the companies owned by the ultimate controlling parties.

(ii) As of 31 December 2022, 2023 and 2024, the total banking facilities amounted to RMB3,312,500,000, RMB5,465,961,000 and RMB5,255,817,000 respectively. Such facilities were utilised to the extent of RMB3,084,929,000, RMB4,643,028,000 and RMB3,903,599,000 respectively. These facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios and intended use of the loans, as commonly found in lending arrangements with financial institutions. If the Group breached the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in Note 30(b).

(iii) As of 31 December 2022, 2023 and 2024, bank loans of RMB10,677,000, RMB19,512,000 and RMB105,843,000 represented the bills discounted with recourse which were repayable within one year respectively.

(iv) As of 31 December 2022, 2023 and 2024, a subsidiary of the Group has non-current bank loans with carrying amounts of RMB293,900,000, RMB289,500,000 and RMB285,100,000. The loans contain covenants that when the subsidiary's liability-to-asset ratio exceeds 70%, or when its contingent liability ratio exceeds 70% at any time, it is considered a breach of the loan contract, the loans will become repayable within 12 months after the breach. The subsidiary of the Group complied with the thresholds and did not breach any limited covenants when they were tested at 31 December 2022, 2023 and 2024.

As of 31 December 2024, a subsidiary of the Group has non-current bank loans with carrying amounts of RMB286,783,000. The loans contain covenants that when the subsidiary's liability-to-asset ratio exceeds 68%, or when its contingent liability ratio exceeds 68% at any time, it is considered a breach of the loan contract, the loans will become repayable within 12 months after the breach. The subsidiary of the Group complied with the thresholds and did not breach any limited covenants when they were tested at 31 December 2024.

As of 31 December 2024, a subsidiary of the Group has non-current bank loans with carrying amounts of RMB260,587,000. The loans contain covenants that when the subsidiary's liability-to-asset ratio exceeds 65%, or when its contingent liability ratio exceeds 65% at any time, it is considered a breach of the loan contract, the loans will become repayable within 12 months after the breach. The subsidiary of the Group complied with the thresholds and did not breach any limited covenants when they were tested at 31 December 2024.

(b) Obligations arising from sale and leaseback transactions

Obligations arising from sale and leaseback transactions were repayable as below:

The Group

	As of 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	97,731	409,728	293,538
After 1 year but within 2 years	64,474	140,091	181,625
After 2 years but within 5 years	–	71,113	18,336
Total undiscounted obligations arising from sale and leaseback transactions	162,205	620,932	493,499
Less: total future interest expenses	(7,991)	(40,806)	(24,782)
Total	154,214	580,126	468,717

The Company

	As of 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	16,689	248,762	124,997
After 1 year but within 2 years	–	121,679	52,701
After 2 years but within 5 years	–	52,701	–
Total undiscounted obligations arising from sale and leaseback transactions	16,689	423,142	177,698
Less: total future interest expenses	(417)	(31,384)	(8,858)
Total	16,272	391,758	168,840

All obligations arising from sale and leaseback transactions were secured by plant and buildings and machinery as mentioned in Note 11(a)(iv), and were guaranteed by Shenzhen HEC Industrial, Yichang HEC Power Plant Co., Ltd., Mr. Zhang Yushuai and Ms. Guo Meilan, the ultimate controlling parties of the Group as of 31 December 2022, 2023 and 2024.

23 LEASE LIABILITIES

The Group

	As of 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	33,611	31,703	41,147
After 1 year but within 2 years	26,264	32,691	40,472
After 2 years but within 5 years	56,099	33,748	58,800
After 5 years	326	2,139	469
	82,689	68,578	99,741
Total	116,300	100,281	140,888

The Company

	As of 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	29,365	30,032	37,333
After 1 year but within 2 years	25,433	31,878	36,982
After 2 years but within 5 years	55,623	32,542	57,224
After 5 years	–	1,920	11,319
	81,056	66,340	105,525
Total	110,421	96,372	142,858

24 INTEREST-BEARING BORROWINGS

	As of 31 December
	2022
	RMB'000
Convertible bonds	
– Current	2,906,963
	2,906,963

(i) On 20 February 2019, the Company's subsidiary, HEC CJ Pharm issued a tranche of 1,600 H share convertible bonds with an aggregate principal amount of USD400,000,000 (equivalent to approximately RMB2,702,320,000 translated at the then exchange rate). Each number of bond has a face value of USD250,000 and a maturity date of 20 February 2026. The bonds bear interest at 3.0% per annum payable semi-annually in arrears on 30 June and 31 December of each year. The bondholders have the right to convert the bonds to the HEC CJ Pharm's ordinary shares at a price of HKD14 per conversion share subject to adjustment in relation to the adjusted net profit for the year ended 31 December 2021. The bonds are unsecured.

As the convertible bonds do not contain an equity component, the conversion option embedded in the convertible bonds above is measured at fair value and the liability component is carried at amortised cost.

(ii) According to the subscription agreement, the Group will be in breach of covenants when incurring in (a) the second six months of financial year 2018 aggregate capital expenditure which, when aggregated with the capital expenditure of the Group incurred for that six months, exceeds RMB450,000,000; (b) financial year 2019 aggregate capital expenditure which, when aggregated with the capital expenditure of the Group incurred for that financial year, exceeds RMB400,000,000; or (c) any subsequent financial year aggregate capital expenditure which, when aggregated with the capital expenditure of the Group incurred for that financial year, exceeds RMB150,000,000.

The bondholders have the right to redeem all or any portion of the convertible bonds on or before the maturity date upon occurrence of the breach of covenants as agreed in the subscription agreement. In 2020, the bondholders informed the Group that the aggregate capital expenditure incurred by the Group for 2020 exceeded RMB150,000,000 and such excess capital expenditure was incurred without the consent of the bondholders under the subscription agreement. Accordingly, a covenant was breached with the effect that the convertible bonds became repayable on demand.

The Group had obtained series of waiver letters from the bondholders stated that the bondholders agreed to temporarily waive their right to issue an early redemption notice by reason of the aforementioned breach until a specific time. The last waiver letter was obtained on 30 September 2021 and pursuant to such letter, the bondholders agreed to waive their right to issue an early redemption notice on the convertible bonds until 1 January 2023.

(iii) On 26 September 2022, HEC CJ Pharm repurchased certain convertible bonds in the aggregate principal amount of USD95,338,000 from the bondholders with a total consideration of USD127,318,000 (equivalent to RMB912,907,000).

During the year ended 31 December 2023, the Company entered into certain bond purchase agreements with the bondholders, pursuant to which the Company agreed to repurchase all remaining portion of the convertible bonds in the aggregate principal amount of USD28,912,000, USD43,119,000, USD38,548,000 and USD194,161,000 from the bondholders at the total purchase price of USD40,000,000, USD60,000,000, USD54,075,000 and USD263,191,000 (equivalent to RMB2,923,366,000 in total) on 31 January 2023, 15 March 2023, 3 April 2023 and 5 July 2023 respectively.

On 5 July 2023, the Company completed the redemption of all the convertible bonds pursuant to above agreements. The bondholders no longer have any interest in the bonds and/or any rights arising therefrom.

(iv) The convertible bonds recognised in the consolidated statements of financial position of the Group are analysed as follows:

	Host liability component	Derivative component	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2022	2,364,366	235,759	2,600,125
Change on derivative financial instruments embedded in convertible bonds	–	859,569	859,569
Accrued interest *(note 6(a))*	257,329	–	257,329
Interest paid	(78,485)	–	(78,485)
Exchange loss	239,811	–	239,811
Repurchase of convertible bonds *(note 24(iii))*	(658,709)	(312,677)	(971,386)
At 31 December 2022	2,124,312	782,651	2,906,963
Change on derivative financial instruments embedded in convertible bonds	–	79,796	79,796
Accrued interest *(note 6(a))*	92,178	–	92,178
Interest paid	(66,678)	–	(66,678)
Exchange loss	35,730	–	35,730
Repurchase of convertible bonds *(note 24(iii))*	(2,185,542)	(862,447)	(3,047,989)
At 31 December 2023 and 31 December 2024	–	–	–

25 FINANCIAL INSTRUMENTS WITH PREFERENTIAL RIGHTS ISSUED TO INVESTORS

From July 2020, the Company entered into a series of investment agreements with certain investors (the "Pre-Listing Investors"), pursuant to which, the Pre-Listing Investors agreed to invest by subscribing the Company's capital. In addition, the Pre-Listing Investors entered into equity transfer agreements with Shenzhen HEC industrial to acquire shares of the Company.

On 10 December 2021, the Company, Controlling Shareholders and Pre-Listing Investors entered into an agreement, pursuant to which, the Pre-Listing Investors would have the right but not the obligation to request the Company and/or the Controlling Shareholders of the Company to repurchase all or part of the shares of the Company held by the Pre-Listing Investors, upon the occurrence of any of the specified redemption triggering events, including but not limited to:

(i) a qualified listing of the Company does not consummate within 2 years from the closing date; and

(ii) a change in the Controlling Shareholders or actual controller of the Group without the written consent of the Pre-Listing Investors.

The repurchase price of each share shall equal to the aggregate of the original price plus per annum interest 10% calculated on a simple basis for the period from the payment date of the consideration up to the repurchase date, plus all declared but unpaid dividends.

As of 31 December 2021, the Pre-Listing Investors had held 35% of equity interests of the Company by paying a total amount of RMB6,909,025,000, including RMB3,226,240,000 to subscribe the Company's capital and RMB3,682,785,000 to acquire shares held by Shenzhen HEC Industrial.

On 14 February 2022, an additional amount of RMB38,000,000 was paid the by Pre-Listing Investors to subscribe 0.48% of the Company's capital.

Presentation and classification

As the occurrence of the specified redemption triggering events such as no qualified listing of the Company consummated by the specified date and change of control of the Group, is beyond the Company's control, the Company recognised financial liabilities for its obligation to buy back the shares. The Company's capital subscribed by the Pre-Listing Investors are held as treasury stock. The financial liabilities are measured at the present value of the redemption amount. The changes in the carrying amount of the financial liabilities were recorded in profit or loss as "finance costs".

The movements of financial instruments with preferential rights issued to investors during the year are set out below:

The Group and the Company

	Years ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	7,451,661	–	–
Issuance of financial instruments with preferential rights to investors	38,000	–	–
Changes in carrying amount of financial instruments with preferential rights issued to investors	172,715	–	–
Reclassification to equity as consideration for issuing paid-in capital *(note)*	(7,662,376)	–	–
At 31 December	–	–	–

Note: In March 2022, each of the then Pre-Listing Investors provided a confirmation to the Company and its subsidiaries that are subject to the redemption rights, pursuant to which, the Pre-Listing Investors agreed to waive the redemption right against the Company and the involved subsidiaries. The directors of the Company considered that these financial instruments meet the definition of equity, and therefore were reclassified from financial liabilities to equity.

26 DEFERRED INCOME

The Group

		Years ended 31 December		
	Note	2022	2023	2024
		RMB'000	*RMB'000*	*RMB'000*
At 1 January		228,393	271,891	274,398
Additions		61,770	11,080	4,300
Credited to profit or loss	*5*	(18,272)	(8,573)	(15,744)
At 31 December		271,891	274,398	262,954

The Company

	Years ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	86,285	76,207	79,058
Additions	–	3,229	–
Credited to profit or loss	(10,078)	(378)	(7,865)
At 31 December	76,207	79,058	71,193

As of 31 December 2022, 2023 and 2024, deferred income of the Group and the Company mainly included various conditional government grants for R&D projects of new or existing pharmaceutical products and subsidies relating to purchase of fixed assets.

Deferred income relating to purchase of fixed assets is recognised as income on a straight-line basis over the expected useful life of the relevant assets.

27 EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company adopted a restricted share scheme in June 2023 (the "2023 Restricted Share Scheme") for the purpose of attracting and retaining the employees. Under the 2023 Restricted Share Scheme, a total 22,879,253 out of 22,955,784 restricted shares of the Company may be granted to the selected employees serving in the Group at a subscription price, of RMB0.7738 per share. These restricted shares will vest after the 5th anniversary of the grant date, on the condition that the employees remain in service and have fulfilled certain performance requirements. If employees leave the Group before the vesting date or fail to fulfil the performance requirements, the restricted shares will be forfeited. The forfeited shares will be repurchased by a shareholder designated by the Group at the original subscription price and with an additional 3% per annum interest, and if applicable, and could be reallocated in the subsequent grants at the discretion of the Company.

On 18 July 2023, 22,879,253 restricted shares of the Company under the 2023 Restricted Share Scheme were granted to the selected employees serving in the Group. The weighted average grant date fair value of restricted shares per share and aggregate fair value of restricted shares at the date of grant were RMB57.71 and RMB1,320,482,000, respectively.

Total compensation expense calculated based on the grant date fair value and the estimated forfeiture rate and recognised in the consolidated statements of profit or loss for aforementioned restricted shares granted to the Group's employees was RMB130,278,000 and RMB266,545,000 during the years ended 31 December 2023 and 2024, respectively. No restricted shares were forfeited or vested during the years ended 31 December 2023 and 2024.

Fair value of share-based payments and assumptions

The fair value of the restricted shares granted was determined by reference on the fair value of ordinary shares of the Company as of the grant date. The directors have used the asset-based approach to determine the fair value of the underlying shares of the Company.

28 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statements of financial position represents:

		Years ended 31 December		
	Note	**2022**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*
Provision for CIT for the year	*7(a)*	60,532	368,095	95,694
Under/(over)-provision for CIT in respect of prior years	*7(a)*	6,122	(67)	5,969
CIT paid during the year		(256,608)	(230,491)	(247,641)
		(189,954)	137,537	(145,978)
Balance at 1 January		198,626	8,672	146,209
Balance at 31 December		8,672	146,209	231

(b) Deferred tax assets recognised

The components of deferred tax assets recognised in the consolidated statements of financial position and the movements during the year are as follows:

Deferred tax arising from:	Deferred income	Provisions for inventories and receivables	Accrued expenses	Fair value change on derivative financial instruments embedded in convertible bonds and others	Excess advertisement expenses	Impairment of intangible assets	Depreciation for property, plant and equipment	Unrealised profit arising from intra-group transactions	Right-of-use assets	Lease liabilities	Unused tax losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	123	17,012	8,901	2,336	33,335	3,004	–	106,361	(15,522)	15,522	–	171,072
Credited/(charged) to profit or loss	384	(5,019)	30,337	97,480	(8,722)	47,385	(13,779)	(17,504)	(1,687)	1,687	–	130,562
At 31 December 2022 and 1 January 2023	507	11,993	39,238	99,816	24,613	50,389	(13,779)	88,857	(17,209)	17,209	–	301,634
(Charged)/credited to profit or loss	(49)	2,727	(2,956)	(103,105)	(24,613)	45,708	1,635	(15,176)	2,752	(2,752)	92,273	(3,556)
At 31 December 2023 and 1 January 2024	458	14,720	36,282	(3,289)	–	96,097	(12,144)	73,681	(14,457)	14,457	92,273	298,078
(Charged)/credited to profit or loss	(24)	13,139	(36,282)	2,900	2,036	16,838	1,620	(10,178)	(8,702)	8,702	(4,637)	(14,588)
At 31 December 2024	434	27,859	–	(389)	2,036	112,935	(10,524)	63,503	(23,159)	23,159	87,636	283,490

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(u), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB6,388,055,000, RMB7,402,700,000 and RMB7,863,014,000 as of 31 December 2022, 2023 and 2024 respectively as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdictions and entities.

The unrecognised tax losses will expire in the following years:

	As of 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
2023	71,404	–	–
2024	109,718	47,060	–
2025	529,921	450,926	458,814
2026	574,830	526,685	522,868
2027	434,911	398,750	431,433
2028	–	176,633	107,928
After 2028	4,667,271	5,802,646	6,341,971
	6,388,055	7,402,700	7,863,014

29 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity of the Company

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Paid-in capital/ share capital	Capital reserve	Merger reserve	Treasury stock	Share-based payment reserve	Accumulated losses	(Net deficit)/ total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 29(c)	*Note 29(d)(i)*	*Note 29(d)(ii)*	*Note 29(e)*	*Note 29(d)(iii)*		
Balance at 1 January 2022	279,158	(1,890,086)	(534,974)	(97,681)	–	(4,735,687)	(6,979,270)
Total comprehensive income for the year	–	–	–	–	–	(817,019)	(817,019)
Capital contribution from shareholders	469	37,531	–	–	–	–	38,000
Recognition of financial instruments with preferential rights issued to investors	–	(37,531)	–	(469)	–	–	(38,000)
Derecognition of financial instruments with preferential rights issued to investors	–	7,564,226	–	98,150	–	–	7,662,376

	Paid-in capital/ share capital	Capital reserve	Merger reserve	Treasury stock	Share-based payment reserve	Accumulated losses	(Net deficit)/ total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 29(c)	*Note 29(d)(i)*	*Note 29(d)(ii)*	*Note 29(e)*	*Note 29(d)(iii)*		
Balance at 31 December 2022 and 1 January 2023	279,627	5,674,140	(534,974)	–	–	(5,552,706)	(133,913)
Total comprehensive income for the year	–	–	–	–	–	(810,421)	(810,421)
Issuance of new shares	13,943	–	–	–	–	–	13,943
Capital contribution from shareholders	10,550	1,605,507	–	–	–	–	1,616,057
Conversion into a joint stock limited liability company	159,823	(5,152,678)	–	–	–	4,992,855	–
Equity-settled share-based payment	–	–	–	–	69,107	–	69,107
Balance at 31 December 2023 and 1 January 2024	463,943	2,126,969	(534,974)	–	69,107	(1,370,272)	754,773
Total comprehensive income for the year	–	–	–	–	–	(438,788)	(438,788)
Equity-settled share-based payment	–	–	–	–	144,505	–	144,505
Balance at 31 December 2024	463,943	2,126,969	(534,974)	–	213,612	(1,809,060)	460,490

(b) Dividends

No dividends have been declared by the Company during the years ended 31 December 2022, 2023 and 2024.

(c) Paid-in capital/share capital

(i) Paid-in capital

The paid-in capital of the Group represents the paid-in capital of the Company before it was converted into a joint stock company with limited liability.

	Paid-in capital
	RMB'000
At 1 January 2022	279,158
Capital contribution from shareholders	469
At 31 December 2022 and 1 January 2023	279,627
Capital contribution from shareholders	10,550
Conversion into a joint stock limited liability company	(290,177)
At 31 December 2023, 1 January 2024 and 31 December 2024	–

(ii) Share capital

	Note	Year ended 31 December 2023		Year ended 31 December 2024	
		Number of shares	*RMB'000*	*Number of shares*	*RMB'000*
Ordinary shares, issued and fully paid:					
At 1 January		–	–	463,943,215	463,943
Issuance of new shares upon conversion into a joint stock limited liability company	*(i)*	450,000,000	450,000	–	–
Issuance of new shares		13,943,215	13,943	–	–
At 31 December		463,943,215	463,943	463,943,215	463,943

Note:

(i) On 19 June 2023, all of the shareholders of the Company entered into a promoter's agreement, pursuant to which it was agreed that the Company shall be converted from a limited liability company to a joint stock limited company. Upon the completion of the conversion, the Company had a registered capital of RMB450 million divided into 450,000,000 shares with a par value of RMB1.00 each, which shall be subscribed by all shareholders in proportion to their shareholdings in the Company before the conversion. The conversion was completed on 21 June 2023.

(d) Reserves

(i) Capital reserve

The Company's capital reserve mainly represented premium arising from capital injection from equity owners after the deduction of treasury shares cancellation and conversion into a joint stock limited liability company (see Note 29(c)(i)). The Company's capital reserve also represented the premium arising from equity interests granted from Shenzhen HEC Industrial (see Note 29(e)).

(ii) Share-based payment reserve

The share-based payment reserve represented the portion of the grant date fair value of restricted shares granted to the key management personnel and employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in Note 2(t).

(iii) Statutory reserve

According to the Company's Articles of Association, the Company is required to appropriate at least 10% of its net profit as determined in accordance with the Company Law of the PRC to its statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The appropriation to this reserve must be made before distribution of a dividend to equity owners. The statutory reserve can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to convert into capital, provided that the balance after such issue is not less than 25% of its registered capital.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of the Company and certain subsidiaries within the Group. The reserve is dealt with in accordance with the accounting policy set out in Note 2(y).

(e) Treasury stock

(i) In February 2021, Yidu Yingwenfang Equity Investment Limited (L.P.) (宜都英文芳股權投資合夥企業(有限合夥), "Yidu Yingwenfang") and Yidu Fangwenwen Equity Investment Limited (L.P.) (宜都芳文文股權投資合夥企業(有限合夥), "Yidu Fangwenwen") were established as employee incentive platforms. On 15 March 2021, YiChang Research Co., Ltd. (宜昌東陽光藥研發有限公司, "Yichang HEC Research") transferred its 2.90% equity interest in the Company to Yidu Yingwenfang at a consideration of RMB7,401,000. On the same day, North & South Brother Pharmacy Investment Company Limited (南北兄弟藥業投資有限公司) transferred its 2.90% equity interest in the Company to Yidu Fangwenwen at a consideration of RMB7,401,000. As the Company has power to govern the relevant activities of Yidu Yingwenfang and Yidu Fangwenwen and can derive benefits from the contributions of the eligible employees who are awarded with the shares under the restricted share scheme, Yidu Yingwenfang and Yidu Fangwenwen have been consolidated in the Group's financial statements.

(ii) In November 2021, the Company's subsidiary, HEC CJ Pharm was granted with 10% equity interests of the Company from Shenzhen HEC Industrial at nil consideration in connection with HEC CJ Pharm's agreement to enter into a non-competition agreement under part of the reorganisation of Shenzhen HEC Industrial group. The Group recognised the granted equity interests as treasury stock at its fair value of RMB1,770,384,000 in July 2021. The Group recognised RMB773,632,000 as merger reserve and RMB731,194,000 as non-controlling interests after netting off tax payable of RMB265,558,000.

In December 2022, HEC CJ Pharm (as the transferor), Shenzhen HEC Industrial (as the transferee) and the Company (being the targeted company) entered into an equity transfer agreement (the "Equity Transfer Agreement"), pursuant to which, Shenzhen HEC Industrial agreed to buy back 10% equity interests of the Company at a consideration of RMB2,312,320,000, which was determined with reference to the market value of total shareholders' equity of the Company prepared by an independent professional valuer. On 27 June 2023, all conditions precedents under the Equity Transfer Agreement have been fulfilled, Shenzhen HEC Industrial completed the transaction of buying back 10% equity interests of the Company. For the year ended 31 December 2023, the increased fair value of 10% equity interests of the Company attributable to minority shareholders of HEC CJ Pharm (net of tax payable) amounting to RMB223,829,000 was recognised as non-controlling interests.

(iii) Details for treasury stock arising from financial instruments with preferential rights issued to investors are disclosed in note 25.

(f) Capital management

The Group's primary objective when managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for its shareholders and benefits for other stakeholders, by pricing products commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of bank loans and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net liability-to-asset ratio. For this purpose, adjusted liabilities include bank loans, lease liabilities, interest-bearing borrowings but exclude financial instruments with preferential rights issued to investors. During the Track Record Period, the Group's strategy was to maintain the capital in order to continue its operations, cover its planned and/or committed capital expenditure and cover its debt position. The Group's adjusted net liability-to-asset ratios at 31 December 2022, 2023 and 2024 are as follows:

		As of 31 December		
	Note	**2022**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*
Bank loans and other borrowings – current	22	1,007,145	3,289,197	2,196,225
Bank loans and other borrowings – non-current	22	2,250,029	1,961,313	2,287,068
Interesting-bearing borrowings	24	2,906,963	–	–
Adjusted liabilities		6,164,137	5,250,510	4,483,293
Total assets		10,688,983	12,658,099	11,931,514
Adjusted net liability-to-asset ratio		58%	41%	38%

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and bill receivables. The Group maintains a defined credit policy and the exposures to these credit risks are monitored on an ongoing basis. The Group's exposure to credit risk arising from cash balances, other receivables and VAT recoverable is limited because the counterparties are banks, financial institutions and tax authorities, for which the Group considers to have low credit risk. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers.

The Group has a concentration of credit risk of the total trade receivables due from the Group's largest debtor and the five largest debtors as follows:

	As of 31 December		
	2022	**2023**	**2024**
Due from			
– largest trade debtor	30%	24%	35%
– five largest trade debtors	65%	67%	42%

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Credit limit is established for each distributor which represents the maximum open amount or credit term without requiring approval from the Board of Directors. The Group follows up with the customers to settle the due balances and monitors the settlement progress on an ongoing basis. The Group usually grants a credit term to distributors which is generally due within 0 — 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade debtors and other debtors at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade and bill receivables:

	At 31 December 2022		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Within 6 months	0.50%	683,147	3,416
More than 6 months but within 1 year	11.00%	1,485	163
More than 1 year but within 2 years	45.00%	99	45
More than 2 years but within 3 years	100.00%	1,575	1,575
More than 3 years	100.00%	6,408	6,408
		692,714	11,607

	At 31 December 2023		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Within 6 months	0.50%	1,821,153	9,105
More than 6 months but within 1 year	11.00%	369	41
More than 1 year but within 2 years	45.00%	221	99
More than 2 years but within 3 years	100.00%	19	19
More than 3 years	100.00%	7,322	7,322
		1,829,084	16,586

	At 31 December 2024		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000
Within 6 months	0.50%	1,002,800	5,014
More than 6 months but within 1 year	11.00%	717,645	78,941
More than 1 year but within 2 years	45.00%	120,402	54,181
More than 2 years but within 3 years	100.00%	221	221
More than 3 years	100.00%	6,217	6,217
		1,847,286	144,574

Movements in the loss allowance account in respect of trade and bill receivables during the year are as follows:

	Years ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Balance at 1 January	15,716	11,607	16,586
Impairment loss recognised during the year	714	5,339	83,990
Impairment loss reversed during the year	(4,823)	(360)	(1,839)
Amount written off during the year	–	–	217
Balance at 31 December	11,607	16,586	98,954

The Group measures loss allowances for trade and bill receivables at an amount equal to lifetime ECLs. The expected credit loss rates of trade and bill receivables are estimated using a provision matrix calculated based on the historical credit loss experience of each entity of the Group, adjusted for factors specific to the debtors, as well as the Group's assessment of future economic conditions over the expected lives of the receivables. The expected credit loss rates for trade and bill receivables of the Group have remained relatively stable during the Track Record Period as management considers that (i) there has been no significant changes in the Group's major operating business, customer base, or the credit risk of customers, and (ii) there has been no significant changes in forward-looking information at the end of each reporting date including the macroeconomic environment in the PRC, where the Group's principal business operates.

(b) Liquidity risk

The Company and its individual subsidiaries are responsible for their own cash management, including short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the bank loans exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash, readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed at contracted rates, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to:

	At 31 December 2022					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans	1,061,541	512,609	1,827,011	74,952	3,476,113	3,102,960
Trade and other payables	4,917,390	–	–	–	4,917,390	4,917,390
Interest-bearing borrowings	3,107,587	–	–	–	3,107,587	2,906,963
Obligations arising from sale and leaseback transactions	97,731	64,474	–	–	162,205	154,214
Lease liabilities	39,283	30,301	59,378	342	129,304	116,300
Total	9,223,532	607,384	1,886,389	75,294	11,792,599	11,197,827

	At 31 December 2023					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans	2,651,637	852,303	1,463,756	–	4,967,696	4,670,384
Trade and other payables	2,594,007	–	–	–	2,594,007	2,594,007
Obligations arising from sale and leaseback transactions	409,728	140,091	71,113	–	620,932	580,126
Lease liabilities	36,173	35,274	34,324	2,436	108,207	100,281
Total	5,691,545	1,027,668	1,569,193	2,436	8,290,842	7,944,798

	At 31 December 2024					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans	2,061,684	1,162,126	976,611	91,756	4,292,177	4,014,576
Trade and other payables	2,421,629	–	–	–	2,421,629	2,421,629
Obligations arising from sale and leaseback transactions	293,538	181,625	18,336	–	493,499	468,717
Lease liabilities	46,005	43,755	61,024	517	151,301	140,888
Total	4,822,856	1,387,506	1,055,971	92,273	7,358,606	7,045,810

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from bank loans. Bank loans that are at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's interest-bearing loans and borrowings at the end of the reporting period:

	At 31 December 2022		At 31 December 2023		At 31 December 2024	
	Effective interest rate	Amount	Effective interest rate	Amount	Effective interest rate	Amount
		RMB'000		*RMB'000*		*RMB'000*
Fixed rate instruments:						
Bank loans	3.83% – 5.00%	185,284	3.20% – 4.80%	364,730	3.40% – 8.50%	237,332
Convertible bonds	3.00%	2,906,963	N/A	–	N/A	–
Obligations arising from sale and leaseback transactions	4.95%	87,933	4.95% – 6.87%	131,753	4.72% – 6.86%	362,304
Subtotal		3,180,180		496,483		599,636
Floating rate instruments:						
Bank loans	4.19% – 5.39%	2,907,009	2.40% – 6.95%	4,286,142	2.40% – 6.95%	3,671,401
Obligations arising from sale and leaseback transactions	3.65% – 6.50%	66,281	3.45% – 6.50%	448,373	3.45%– 5.65%	106,413
Subtotal		2,973,290		4,734,515		3,777,814
Total interest-bearing loans and borrowings		6,153,470		5,230,998		4,377,450
Net fixed rate instruments as a percentage of total instruments		52%		9%		14%

(ii) Sensitivity analysis

At 31 December 2022, 2023 and 2024, it is estimated that a general increase/decrease of 25 basis points in the interest rates of interest-bearing loans and borrowings, with all other variables held constant, would have increased/decreased the Group's (loss)/profit after tax and accumulated losses by approximately RMB6,178,000, RMB9,885,000 and RMB8,028,000 respectively. Other components of equity would not be affected by the changes in interest rates.

The sensitivity analysis above indicates the impact on the Group's (loss)/profit for the year and accumulated losses that would arise assuming that there is an annualised impact on interest expense by a change in interest rates. The analysis has been performed on the same basis during the Track Record Period.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchase which give rise to receivables and payables that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Hong Kong dollars, Euros and United States dollars.

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year end date.

	Exposure to foreign currencies (expressed in RMB)								
	At 31 December 2022			At 31 December 2023			At 31 December 2024		
	United States Dollars	Euro	Hong Kong Dollars	United States Dollars	Euro	Hong Kong Dollars	United States Dollars	Euro	Hong Kong Dollars
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other receivables	189	–	–	1,580	–	–	1,688	–	–
Cash and cash equivalents	9,341	2,155	1,398	767	–	20	4,182	–	1
Trade and other payables	(110,564)	137	–	(21,649)	(133)	–	(20,409)	(2,112)	–
Bank loans	–	–	–	(672,857)	–	–	–	–	–
Interest-bearing borrowings	(2,906,963)	–	–	–	–	–	–	–	–
Net exposure arising from recognised assets and liabilities	(3,007,997)	2,292	1,398	(692,159)	(133)	20	(14,539)	(2,112)	1

(ii) Sensitivity analysis

At 31 December 2022, 2023 and 2024, it is estimated that a general appreciation/depreciation of 5% in RMB, with all other variables held constant, would have (increased)/decreased the Group's net results and (decreased)/increased accumulated losses as below.

	As of 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
United States Dollars	(127,840)	(29,417)	(618)
Euros	97	(6)	(90)
Hong Kong Dollars	59	1	–

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure the financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis during the Track Record Period.

(e) Fair value measurement

(i) Financial instruments and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value at 31 December 2022	Fair value measurements as of 31 December 2022 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurements				
Financial assets measured at FVPL				
– Investment in a trust investment scheme	290,000	–	290,000	–
Convertible bonds				
– Derivative component (*Note 24(iv)*)	(782,651)	–	(782,651)	–

	Fair value at 31 December 2023	Fair value measurements as of 31 December 2023 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurements				
Financial assets measured at FVPL				
– Listed equity securities	19,587	19,587	–	–
– Foreign currency option contracts	18,686	–	18,686	–
Financial liabilities measured at FVPL				
– Foreign currency option contracts	(1,139)	–	(1,139)	–

	Fair value at 31 December 2024	Fair value measurements as of 31 December 2024 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurements				
Financial assets measured at FVPL				
– Listed equity securities	17,066	17,066	–	–
– Investment in a private fund	3,839	–	–	3,839

During the Track Record Period, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

Valuation techniques and inputs used in Level 2 fair value measurements

Financial assets measured at FVPL in Level 2 represented investment in a trust investment scheme, the derivative component embedded in convertible bonds and foreign currency option contracts.

The fair value of the trust investment scheme was determined by the Group with reference to the fair value quoted by the trust company, that established and managed the investments (see Note 15), using expected return rates currently available for instruments with similar terms, credit risk, remaining terms and other market data.

The fair value of the conversion option embedded in convertible bonds in Level 2 is the estimated amount that the Group would pay to terminate the option at the end of the reporting period, taking into account the underlying share price and the potential shares outstanding to be converted, which was determined using the observable market data, such as discount curvy, risk free interest rates, stock price variance rates, exchange rates, risk free of return, bond discount rates, spot exchange rates, forward exchange rates, spot price of stock, historical volatility of stock price and dividend yield.

The fair value of foreign exchange option contracts is determined using the spot price of the foreign exchange rates as of the valuation date, strike rates, forward foreign exchange rates, implied volatilities of foreign exchange rates and risk-free rates.

Information about Level 3 fair value measurement

	Fair value at 31 December 2024	Valuation technique	Unobservable input	Range (weighted average)
	RMB'000			
Investment in a private fund	3,839	Net asset value *(note)*	N/A	N/A

Note: The Group has determined that the reported net asset value represents fair value of the investment at the end of the reporting period.

(ii) Fair value of other financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as of 31 December 2022, 2023 and 2024 except for the following financial instruments, for which their carrying amount and fair value are disclosed below:

	At 31 December 2022	
	Carrying amount	Fair value
	RMB'000	*RMB'000*
Convertible bonds		
– Liability component	2,124,312	2,182,634

31 CAPITAL COMMITMENTS

Capital commitments outstanding at 31 December 2022, 2023 and 2024 not provided for in the consolidated financial statements were as follows:

	As of 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Contracted for			
Acquisition of fixed assets	271,114	580,096	251,134
Acquisition of intangible assets	532,767	491,345	493,973
	803,881	1,071,441	745,107

32 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personal remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors' as disclosed in Note 8 and certain of the highest paid employees as disclosed in Note 9, is as follows:

	Years ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Salaries and other benefits	8,058	11,607	8,935
Contributions to defined contribution retirement benefit schemes	173	195	241
Equity-settled share-based payment	–	52,698	105,395
	8,231	64,500	114,571

Total remuneration is included in "staff costs" (see Note 6(b)).

(b) Identity of related parties

During the Track Record Period, the directors are of the view that related parties of the Group include the following:

Name of related parties	Relationship with the Group
Ruyuan HEC Pharmaceutical Co., Ltd. (乳源東陽光藥業有限公司)*	effectively owned by the ultimate controlling parties
Yichang HEC Biochemical Pharmaceutical Co., Ltd. (宜昌東陽光生化製藥有限公司)*	effectively owned by the ultimate controlling parties
Yichang HEC Power Plant Co., Ltd. (宜昌東陽光火力發有限公司)*	effectively owned by the ultimate controlling parties
Shaoguan HEC Packaging and Printing Co., Ltd. (韶關東陽光包裝印刷有限公司)*	effectively owned by the ultimate controlling parties
Shenzhen HEC Industrial Development Co., Ltd. (深圳市東陽光實業發有限公司)*	effectively owned by the ultimate controlling parties
Dongguan HEC Industrial Development Co., Ltd. (東莞市東陽光實業發展有限公司)*	effectively owned by the ultimate controlling parties
Yichang HEC Medicine Co., Ltd. (宜昌東陽光藥業股份有限公司)*	effectively owned by the ultimate controlling parties
Dongguan HEC Research Co., Ltd. (東莞東陽光藥物研發有限公司)*	effectively owned by the ultimate controlling parties
Yidu Changjiang Machinery Equipment Co., Ltd. (宜都長江機械設備有限公司)*	effectively owned by the ultimate controlling parties
Guangdong HEC Technology Holding Co., Ltd. (廣東東陽光科技控股股份有限公司)*	effectively owned by the ultimate controlling parties
Shenzhen HEC Formed Foil Co., Ltd. (深圳市東陽光化成箔股份有限公司)*	effectively owned by the ultimate controlling parties
HEC PHARM (HONG KONG) COMPANY LIMITED (東陽光藥業(香港)有限公司)	effectively owned by the ultimate controlling parties
Yichang Shancheng Shuidu Restaurant Co., Ltd. (宜昌山城水都大飯店有限公司)*	effectively owned by the ultimate controlling parties
Yidu Shanchengshuidu Project Construction Co., Ltd. (宜都山城水都建築工程有限公司)*	effectively owned by the ultimate controlling parties

* The English translation of the above companies' names is for reference only. The official names of these companies are in Chinese.

(c) Significant related party transactions

During the years ended 31 December 2022, 2023 and 2024, the Group entered into the following material related party transactions:

	Years ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
(i) Purchase of goods from:			
Ruyuan HEC Pharmaceutical Co., Ltd.	59,901	52,722	92,825
Yichang HEC Biochemical Pharmaceutical Co., Ltd.	39,284	45,024	39,082
Yichang HEC Power Plant Co., Ltd.	33,933	40,822	47,307
Shaoguan HEC Packaging and Printing Co., Ltd.	24,927	37,822	34,165
Shenzhen HEC Industrial Development Co., Ltd.	4,887	6,245	150
Dongguan HEC Industrial Development Co., Ltd.	8,818	(1,266)	5,552
Yichang HEC Medicine Co., Ltd.	–	(38)	–
Others	435	480	386
	172,185	181,811	219,467
(ii) Purchase of property, plant and equipment from:			
Yidu Changjiang Machinery Equipment Co., Ltd.	17,817	9,307	2,918
Others	1,622	–	–
	19,439	9,307	2,918
(iii) Interest expense to:			
Guangdong HEC Technology Holding Co., Ltd.	56,311	–	–
Shenzhen HEC Industrial Development Co., Ltd.	7,287	13,760	–
Dongguan HEC Research Co., Ltd.	24,560	18,565	–
	88,158	32,325	–
(iv) Interest income from:			
Dongguan HEC Industrial Development Co., Ltd.	35,223	14,070	–
Shenzhen HEC Industrial Development Co., Ltd.	3,272	21,677	–
Ruyuan HEC Pharmaceutical Co., Ltd.	6,306	3,035	–
	44,801	38,782	–
(v) Receive services from:			
Ruyuan HEC Pharmaceutical Co., Ltd.	11,221	8,723	15,837
Yichang HEC Biochemical Pharmaceutical Co., Ltd.	3,186	3,186	3,186
Yichang Shancheng Shuidu Restaurant Co., Ltd.	1,360	13,357	24,075
Yidu Shanchengshuidu Project Construction Co., Ltd.	6,752	12,936	–
Others	–	23	1,112
	22,519	38,225	44,210
(vi) Provide services to:			
Dongguan HEC Research Co., Ltd.	354	–	–
Ruyuan HEC Pharmaceutical Co., Ltd.	608	–	1,294
Yichang HEC Biochemical Pharmaceutical Co., Ltd.	–	–	257
Others	86	1,034	33
	1,048	1,034	1,584
(vii) Purchase of intangible assets from:			
Dongguan HEC Research Co., Ltd.	20,381	144,977	–
(viii) Lease payments from:			
Dongguan HEC Research Co., Ltd.	23,545	23,545	28,838
Shenzhen HEC Formed Foil Co., Ltd.	8,752	8,752	9,362
Others	496	511	533
	32,793	32,808	38,733
(ix) Payments through:			
Shenzhen HEC Industrial Development Co., Ltd.	49,673	5,609	283,490
HEC PHARM (HONG KONG) COMPANY LIMITED	–	35,635	–
	49,673	41,244	283,490

(d) Balances with related parties

The Group

Trade in nature:

	As of 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables from:			
Ruyuan HEC Pharmaceutical Co., Ltd.	–	1,461	57
Yidu Changjiang Machinery Equipment Co., Ltd.	–	–	100
Yichang HEC Biochemical Pharmaceutical Co., Ltd.	–	–	320
Others	–	182	7
	–	1,643	484

	As of 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Prepayments to:			
Dongguan HEC Research Co., Ltd.	109,691	6,135	–
Yichang HEC Biochemical Pharmaceutical Co., Ltd.	–	–	2,750
Ruyuan HEC Pharmaceutical Co., Ltd.	–	453	–
	109,691	6,588	2,750

	As of 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Trade payables to:			
Dongguan HEC Research Co., Ltd.	–	58,525	19,585
Dongguan HEC Industrial Development Co., Ltd.	7,697	1,612	1,330
HEC PHARM (HONG KONG) COMPANY LIMITED	34,109	–	–
Ruyuan HEC Pharmaceutical Co., Ltd.	10,178	18,948	47,606
Shenzhen HEC Industrial Development Co., Ltd.	2,907	2,609	–
Yichang HEC Power Plant Co., Ltd.	–	–	4,595
Shaoguan HEC Packaging and Printing Co., Ltd.	11,274	409	11,571
Yichang HEC Biochemical Pharmaceutical Co., Ltd.	–	–	1,537
Yichang Shancheng Shuidu Restaurant Co., Ltd.	–	–	5,428
Shenzhen HEC Formed Foil Co., Ltd.	–	–	9,954
Others	–	5,971	242
	66,165	88,074	101,848

Non-trade in nature:

	As of 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Other receivables from:			
Dongguan HEC Industrial Development Co., Ltd.	986,879	–	–
Ruyuan HEC Pharmaceutical Co., Ltd.	208,306	–	–
Shenzhen HEC Industrial Development Co., Ltd.	203,221	–	–
Others	312	189	121
	1,398,718	189	121

	As of 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Other payables to:			
Shenzhen HEC Industrial Development Co., Ltd.	728,472	–	–
Yidu Shanchengshuidu Project Construction Co., Ltd.	2,182	–	–
Dongguan HEC Research Co., Ltd.	1,671,750	–	–
	2,402,404	–	–

The Company

Trade in nature:

	As of 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables from:			
Ruyuan HEC Pharmaceutical Co., Ltd.	–	–	57

	As of 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Prepayments to:			
Dongguan HEC Research Co., Ltd.	544,317	–	–
Yichang HEC Biochemical Pharmaceutical Co., Ltd.			2,750
Ruyuan HEC Pharmaceutical Co., Ltd.	–	453	–
	544,317	453	2,750

	As of 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Trade payables to:			
Dongguan HEC Research Co., Ltd.	–	58,525	13,685
Dongguan HEC Industrial Development Co., Ltd.	7,697	1,612	1,330
Ruyuan HEC Pharmaceutical Co., Ltd..	5,236	12,434	42,479
Shenzhen HEC Formed foil Co., Ltd.	–	4,415	9,954
Shenzhen HEC Industrial Development Co., Ltd.	2,907	2,609	–
Shaoguan HEC Packaging and Printing Co., Ltd.	–	–	9,662
Others	49	1,551	242
	15,889	81,146	77,352

Non-trade in nature:

	As of 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Other receivables from:			
Dongguan HEC Industrial Development Co., Ltd.	986,879	–	–
Ruyuan HEC Pharmaceutical Co., Ltd..	208,306	–	–
Others	123	–	–
	1,195,308	–	–

	As of 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Other payables to:			
Dongguan HEC Research Co., Ltd.	1,671,090	–	–
Shenzhen HEC Industrial Development Co., Ltd.	716,477	–	–
	2,387,567	–	–

The Group expects that the non-trade balances will be settled prior to listing.

(e) Financial guarantees

At 31 December 2022, 2023 and 2024, guarantees were issued to the Group by Shenzhen HEC Industrial, Mr. Zhang Yushuai and Ms. Guo Meilan, the ultimate controlling parties of the Group in connection with bank loans and other borrowings amounted to RMB2,770,243,000, RMB3,392,146,000 and RMB4,001,064,000 of the Group respectively.

At 31 December 2022, 2023 and 2024, guarantees were issued by the Group to Shenzhen HEC Industrial and other related parties amounted to RMB270,000,000, nil and nil, including which, RMB270,000,000, nil and nil were secured by patents of the Group respectively.

The Group has no intention to release all guarantees provided by our Controlling Shareholders prior to the Listing.

33 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

The Company and HEC CJ Pharm jointly announced in May 2024 that the Group is proposed listing by way of introduction of H shares of the Company and privatisation of HEC CJ Pharm. Subject to the fulfilment of all the certain conditions as mentioned in the announcements in the May 2024, the Company will pay a special dividend to the shareholders of HEC CJ Pharm. The special dividend payable is based on the total number of 427,567,700 HEC CJ Pharm shares held by the aforementioned shareholders and the proposed special dividend of HK$1.50 per HEC CJ Pharm share. The Directors of the Company estimated the total special dividend payable would amount to approximately RMB593,400,000 that is converted from Hong Kong dollars at an exchange rate of HK$1.00 to RMB0.9077.

No adjustment has been made to reflect the special dividend payable to the aforementioned shareholders.

34 IMMEDIATE AND ULTIMATE CONTROLLING PARTIES

At 31 December 2024, the directors consider the immediate parent of the Group to be Yichang HEC Research, which is incorporated in the PRC and the ultimate controlling parties of the Group to be Mr. Zhang Yushuai and Ms. Guo Meilan.

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2024

Up to the date of issue of these Historical Financial Information, the IASB has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2024 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 21, *Lack of exchangeability*	1 January 2025
Amendments to IFRS 9 and IFRS 7: *Amendments to the Classification and Measurement of Financial Instruments*	1 January 2026
Amendments to IFRS 9 and IFRS 7, *Contracts Referencing Nature-dependent Electricity*	1 January 2026
Annual Improvements to IFRS Accounting Standards – Volume 11	1 January 2026
IFRS 18, *Presentation and Disclosure in Financial Statements*	1 January 2027
IFRS 19, *Subsidiaries without Public Accountability: Disclosures*	1 January 2027
Amendments to IFRS 10 and IAS 28, Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 31 December 2024.

The information set out below does not form part of the Accountants' Report received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, as set out in Appendix I to this Listing Document, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this Listing Document and the Accountants' Report set out in Appendix I to this Listing Document.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Company and its subsidiaries (the "Group") is prepared in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and is set out below to illustrate the effect of the proposed listing by way of introduction of H shares of the Company (the "Introduction") and privatisation of Yichang HEC ChangJiang Pharmaceutical Co., Ltd. ("HEC CJ Pharm") (the "Privatisation") on the consolidated net tangible liabilities attributable to equity shareholders of the Company as of 31 December 2024 as if the Introduction and the Privatisation had taken place at 31 December 2024.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Introduction and the Privatisation been completed as of 31 December 2024 or at any future date.

Consolidated net tangible liabilities attributable to equity shareholders of the Company as of 31 December 2024	**Effect of the Introduction and the Privatisation**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share**	
RMB'000 *(Note 1)*	*RMB'000* *(Note 2)*	*RMB'000*	*RMB* *(Note 3)*	*HK$* *(Note 4)*
(464,765)	3,307,917	2,843,152	5.13	5.55

Notes:

(1) The consolidated net tangible liabilities attributable to equity shareholders of the Company as of 31 December 2024 is arrived at after (i) deducting intangible assets of RMB1,573,456,000; and (ii) adjusting the share of intangible assets attributable to non-controlling interests of RMB764,542,000 from the consolidated total equity attributable to equity shareholders of the Company of RMB344,149,000 as of 31 December 2024 which is extracted from the Accountants' Report set out in Appendix I to the listing document.

(2) The adjustment represents the derecognition of the carrying amount of non-controlling interests in HEC CJ Pharm upon the completion of the Introduction and the Privatisation as at 31 December 2024, and the corresponding change in consolidated net tangible liabilities attributable to equity shareholders of the Company, after deduction of listing and privatisation expenses paid or payable by the Company of RMB61,672,000 (excluding the related expenses charged to profit or loss during the Track Record Period).

(3) The unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that a total of 553,700,263 Shares were in issue (being the outstanding 463,943,215 domestic shares in issue immediately before the Introduction and the Privatisation and 112,712,832 H shares to be issued pursuant to the Introduction and the Privatisation, excluding the 22,955,784 shares under the 2023 Restricted Share Scheme) assuming that the Introduction and the Privatisation had been completed on 31 December 2024.

(4) The unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share amount in Renminbi is converted into Hong Kong dollars with an exchange rate of HK$1.00 to RMB0.9253. No representation is made that the Renminbi amount has been, could have been or may be converted into Hong Kong dollars, or vice versa, at that rate or at any other rates.

(5) No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2024, including but not limited to the Special Dividend to be declared by HEC CJ Pharm to the shareholders whose names appear on the register of members of HEC CJ Pharm on the Share Exchange Record Date (other than the Company or its subsidiaries, if any). The Directors of the Company preliminarily estimated that the Special Dividend would amount to approximately RMB593.4 million, based on the total number of 427,567,700 HEC CJ Pharm Shares held by the aforementioned shareholders as of 31 December 2024 and the proposed Special Dividend of HK$1.50 per HEC CJ Pharm Shares. The Special Dividend payable is converted from Hong Kong dollars at an exchange rate of HK$1.00 to RMB0.9253. No representation is made that the Hong Kong dollar amount has been, could have been or may be converted into Renminbi, or vice versa, at that rate or at any other rates. Had the Special Dividend been declared on 31 December 2024, the unaudited pro forma adjusted net tangible assets would have decreased by RMB593.4 million and the unaudited pro forma adjusted net tangible assets per Share would have decreased by RMB1.07 (equivalent to HK$1.16).

B. UNAUDITED PRO FORMA STATEMENT OF FINANCIAL POSITION, UNAUDITED PRO FORMA STATEMENT OF PROFIT OR LOSS, AND UNAUDITED PRO FORMA STATEMENT OF CASH FLOWS

The following is the unaudited pro forma financial information of the Group in connection with the Introduction and the Privatisation. The unaudited pro forma financial information of the Group below is prepared to illustrate (i) the pro forma consolidated statement of financial position of the Group as at 31 December 2024 as if the Introduction and the Privatisation had taken place at 31 December 2024; (ii) the pro forma consolidated statement of profit or loss as if the Introduction and the Privatisation had taken place at 1 January 2024; and (iii) the pro forma consolidated statement of cash flows for the year ended 31 December 2024 as if the Introduction and the Privatisation had taken place at 1 January 2024.

The unaudited pro forma financial information has been prepared by the directors in accordance with Rule 4.29 of the Listing Rules, for the purposes of illustrating the effect of the Introduction and the Privatisation only and, because of its hypothetical nature, it may not give a true picture of the financial position, financial performance and cash flows of the Group Post-Merger had the Introduction and the Privatisation been completed as of the specified dates or any future date.

(a) Unaudited pro forma consolidated statement of financial position as at 31 December 2024

	The Group	Pro forma adjustments	The Group Post-Merger
	RMB'000 *(Note 1)*	*RMB'000* *(Note 2)*	*RMB'000*
Non-current assets			
Fixed assets			
– Property, plant and equipment	3,896,563		3,896,563
– Right-of-use assets			
– Ownership interests in leasehold land held for own use	342,526		342,526
– Other properties leased for own use	151,901		151,901
	4,390,990		4,390,990
Intangible assets	1,573,456		1,573,456
Financial assets measured at fair value through profit or loss ("FVPL")	17,066		17,066
Deferred tax assets	283,490		283,490
Interests in an associate	25,464		25,464
Prepayments	662,288		662,288
	6,952,754		6,952,754
Current assets			
Inventories	737,821		737,821
Prepayments	426,380	(28,881)	397,499
Trade and other receivables	1,894,293		1,894,293
Financial assets measured at FVPL	3,839		3,839
Restricted cash	435,617		435,617
Cash and cash equivalents	1,480,810	(46,405)	1,434,405
	4,978,760		4,903,474
Current liabilities			
Contract liabilities	155,019		155,019
Trade and other payables	2,421,629	(13,614)	2,408,015
Bank loans and other borrowings	2,196,225		2,196,225
Lease liabilities	41,147		41,147
Current taxation	231		231
	4,814,251		4,800,637
Net current assets	164,509		102,837
Total assets less current liabilities	7,117,263		7,055,591

	The Group	Pro forma adjustments	The Group Post-Merger
	RMB'000 *(Note 1)*	*RMB'000* *(Note 2)*	*RMB'000*
Non-current liabilities			
Bank loans and other borrowings	2,287,068		2,287,068
Deferred income	262,954		262,954
Lease liabilities	99,741		99,741
	2,649,763		2,649,763
Net assets	4,467,500		4,405,828
Capital and reserves			
Share capital	463,943	112,713	576,656
Reserves	(119,794)	3,959,746	3,839,952
Total equity attributable to equity shareholders of the Company	344,149		4,416,608
Non-controlling interests	4,123,351	(4,134,131)	(10,780)
Total equity	4,467,500		4,405,828

(b) Unaudited pro forma consolidated statement of profit or loss for the year ended 31 December 2024

	The Group	Pro forma adjustments		The Group Post-Merger
	RMB'000 *(Note 1)*	*RMB'000* *(Note 3(a))*	*RMB'000* *(Note 3(b))*	*RMB'000*
Revenue	4,018,905			4,018,905
Cost of sales	(960,274)			(960,274)
Gross profit	3,058,631			3,058,631
Other income	89,743			89,743
Distribution costs	(1,197,046)			(1,197,046)
Administrative expenses	(557,116)		(18,000)	(575,116)
Research and development costs	(887,653)			(887,653)
Recognition of impairment loss on trade and other receivables	(126,011)			(126,011)
Profit from operations	380,548			362,548
Finance costs	(239,787)			(239,787)
Share of profit of an associate	293			293
Profit before taxation	141,054			123,054
Income tax	(116,251)			(116,251)
Profit for the year	24,803			6,803
Profit/(loss) for the year attributable to:				
Equity shareholders of the Company	(207,434)	234,549	(18,000)	9,115
Non-controlling interests	232,237	(234,549)		(2,312)
Profit for the year	24,803			6,803
(Loss)/earnings per share				
Basic and diluted (in RMB) *(Note 4)*	(0.47)			0.02

(c) Unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2024

	The Group	Pro forma adjustments	The Group Post-Merger
	RMB'000 *(Note 1)*	*RMB'000* *(Note 5)*	*RMB'000*
Operating activities			
Cash generated from operations	748,173	(21,746)	726,427
Corporate Income Tax ("CIT") paid	(247,641)		(247,641)
Net cash generated from operating activities	500,532		478,786
Investing activities			
Interest received	72,792		72,792
Payments for purchase of property, plant and equipment	(1,061,906)		(1,061,906)
Payments for development costs	(163,299)		(163,299)
Decrease in restricted cash	1,131,683		1,131,683
Payments for investments in financial assets measured at FVPL	(2,761,573)		(2,761,573)
Proceeds from disposal of financial assets measured at FVPL	2,763,105		2,763,105
Payment for investment in an associate	(12,600)		(12,600)
Dividends received from listed equity securities	309		309
Proceeds received from disposal of property, plant and equipment	61,283		61,283
Net cash generated from investing activities	29,794		29,794
Financing activities			
Proceeds from bank loans	3,100,917		3,100,917
Proceeds from borrowings under sale and leaseback transactions	379,556		379,556
Repayments of bank loans	(3,792,158)		(3,792,158)
Payments for capital element of obligations arising from sale and leaseback transactions	(478,177)		(478,177)
Interest paid	(105,172)		(105,172)
Other borrowing costs paid	(13,907)		(13,907)
Deposits paid for sale and leaseback transactions	(375)		(375)
Capital element of lease rentals paid	(35,829)		(35,829)
Interest element of lease rentals paid	(6,508)		(6,508)
Listing expenses paid	(19,013)	(24,659)	(43,672)
Net cash used in financing activities	(970,666)		(995,325)
Net decrease in cash and cash equivalents	(440,340)		(486,745)
Cash and cash equivalents at 1 January 2024	1,920,158		1,920,158
Effect of foreign exchange rate changes	992		992
Cash and cash equivalents at 31 December 2024	1,480,810		1,434,405

(1) The amounts represent historical financial information of the Group as at 31 December 2024 and for the year ended 31 December 2024, as extracted from the Accountants' Report set out in Appendix I to the listing document.

(2) The adjustments represent the issuance of 112,712,832 H shares with the par value of RMB1 each by the Company, derecognition of the carrying amount of non-controlling interests in HEC CJ Pharm upon the completion of the Introduction and the Privatisation of RMB4,134,131,000 as at 31 December 2024, and recognition of the listing and privatisation expenses paid or payable by the Company of RMB61,672,000 (excluding the related expenses paid or payable on or before 31 December 2024).

(3) The adjustments represent:

(a) The reclassification of profit attributable to non-controlling interests in HEC CJ Pharm for the year ended 31 December 2024. The reclassification adjustment is expected to have a continuing effect on the consolidated statement of profit or loss of the Group Post-Merger.

(b) Listing and privatisation expenses to be incurred by the Company of RMB18,000,000 (excluding the related expenses charged to profit or loss on or before 31 December 2024), which is charged to profit or loss upon the completion of the Introduction and the Privatisation. The adjustment is not expected to have a continuing effect on the consolidated statement of profit or loss of the Group Post-Merger.

(4) The unaudited pro forma basic and diluted earnings per share attributable to equity shareholders of the Group Post-Merger are arrived at after the adjustments referred to in the preceding paragraphs and on the basis that a total of 553,700,263 Shares are expected to be in issue immediately following the completion of the Introduction and the Privatisation (being the outstanding 463,943,215 domestic shares in issue immediately before the Introduction and the Privatisation and 112,712,832 H shares to be issued pursuant to the Introduction and the Privatisation, excluding the 22,955,784 shares under the 2023 Restricted Share Scheme).

(5) The adjustments represent the payment of listing and privatisation expenses to be charged to profit or loss under operating activities and those to be deducted from equity upon the completion of the Introduction and the Privatisation under financing activities (excluding the payment made on or before 31 December 2024). The adjustment is not expected to have a continuing effect on the consolidated statement of cash flows of the Group Post-Merger.

(6) No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2024, including but not limited to the Special Dividend to be declared by HEC CJ Pharm to the shareholders whose names appear on the register of members of HEC CJ Pharm on the Share Exchange Record Date (other than the Company or its subsidiaries, if any). The Directors of the Company preliminarily estimated that the Special Dividend would amount to approximately RMB593.4 million, based on the total number of 427,567,700 HEC CJ Pharm Shares held by the aforementioned shareholders as of 31 December 2024 and the proposed Special Dividend of HK$1.50 per HEC CJ Pharm Share. The Special Dividend payable is converted from Hong Kong dollars at an exchange rate of HK$1.00 to RMB0.9253. No representation is made that the Hong Kong dollar amount has been, could have been or may be converted into Renminbi, or vice versa, at that rate or at any other rates. Had the Special Dividend be declared on 31 December 2024, the Group's other payables would have increased by RMB593.4 million and the total equity attributable to equity shareholders of the Company would have decreased by RMB593.4 million.

C. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this Listing Document.

KPMG

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF SUNSHINE LAKE PHARMA CO., LTD.

We have completed our assurance engagement to report on the compilation of pro forma financial information of Sunshine Lake Pharma Co., Ltd. (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets and the unaudited pro forma consolidated statement of financial position of the Group as at 31 December 2024, the unaudited pro forma consolidated statement of profit or loss, and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2024 and related notes as set out in Part A and Part B of Appendix II to the listing document dated 30 June 2025 (the "Listing Document") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A and Part B of Appendix II to the Listing Document.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed listing by way of introduction of H shares of the Company (the "Introduction") and privatisation of Yichang HEC ChangJiang Pharmaceutical Co., Ltd. (宜昌東陽光長江藥業股份有限公司) (the "Privatisation") on the Group's financial position as at 31 December 2024 and the Group's financial performance and cash flows for the year ended 31 December 2024 as if the Introduction and the Privatisation had taken place at 31 December 2024 and 1 January 2024, respectively. As part of this process, information about the Group's financial position as at 31 December 2024 and the Group's financial performance and cash flows for the year ended 31 December 2024 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Listing Document.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "*Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars*" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management 1 "*Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*", which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "*Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 31 December 2024 or 1 January 2024 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group, and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Certified Public Accountants
Hong Kong
30 June 2025

TAXATION FOR HOLDERS OF SECURITIES

Income tax and capital gains tax of holders of the H Shares are subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are residents or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current laws and practices, and has not taken into account the expected change or amendment to the relevant laws and policies and does not constitute any opinion or advice. The discussion does not deal with all possible tax consequences relating to an investment in the H shares, nor does it take into account the specific circumstances of any particular investor, some of which may be subject to special regulation. Accordingly, you should consult your own tax advisor regarding the tax consequences of an investment in the H shares. The discussion is based upon laws and relevant interpretations in effect as of the Latest Practicable Date, all of which are subject to change and may have retrospective effect.

No issues on PRC or Hong Kong taxation other than income tax, capital gain tax and profits tax, business tax/VAT, stamp duty and estate duty were referred in the discussion. Prospective investors are urged to consult their financial advisors regarding the PRC, Hong Kong and other tax consequences of owning and disposing of the H Shares.

THE PRC TAXATION

Taxation on Dividends

Individual Investor

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》), which was most recently amended on August 31, 2018 and the Implementation Provisions of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), which was most recently amended on December 18, 2018 (hereinafter collectively referred to as the "IIT Law"), dividends distributed by PRC enterprises are subject to individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by relevant tax treaty.

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (hereinafter referred to as the "Arrangement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《對所得避免雙重徵稅和防止偷漏稅的安排》)") signed by the Mainland of China and the Hong Kong Special Administrative Region on August 21, 2006, the PRC government may impose tax on dividends paid by a PRC company to a Hong Kong resident (including natural person and legal entity), but such tax shall not exceed 10% of the total amount of dividends payable. If a Hong Kong resident directly holds 25% or more of equity interest in a PRC company and the

Hong Kong resident is the beneficial owner of the dividends and meets other conditions, such tax shall not exceed 5% of the total amount of dividends payable by the PRC company. The Fifth Protocol to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《國家稅務總局關於<內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排>第五議定書》) (the "Fifth Protocol (《第五協議書》)") issued by the SAT and became effective on December 6, 2019 provides that such provisions shall not apply to arrangements or transactions made for one of the primary purposes of obtaining such tax benefits.

Enterprise Investors

In accordance with the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) issued by NPC on March 16, 2007 and latest amended on December 29, 2018 and the Implementation Provisions of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) issued by the State Council on December 6, 2007, came into effect on January 1, 2008 and amended on April 23, 2019 (hereinafter collectively referred to as the "EIT Law"), a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income (including dividends received from a PRC resident enterprise), if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. The aforesaid income tax payable for non-resident enterprises is deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise. Such withholding tax may be reduced or exempted pursuant to an applicable treaty for the avoidance of double taxation.

The Circular of the State Administration of Tax on Issues Relating to the Withholding and Remitting of Enterprise Income Tax by PRC Resident Enterprises on Dividends Distributed to Overseas Non-Resident Enterprise Shareholders of H Shares (《國家稅務總局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》), which was issued and implemented by the SAT on November 6, 2008, further clarified that a PRC-resident enterprise must withhold corporate income tax at a rate of 10% on the dividends paid to non-PRC resident enterprise holders of H Shares which are derived out of profit generated since 2008. Non-PRC resident enterprise shareholders who need to enjoy tax treaty benefits, the relevant provisions of such tax treaty shall apply.

Pursuant to the Arrangement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《對所得避免雙重徵稅和防止偷漏稅的安排》), the PRC government may impose tax on dividends paid by a PRC company to a Hong Kong resident (including natural person and legal entity), but such tax shall not exceed 10% of the total amount of dividends payable. If a Hong Kong resident directly holds 25% or more of equity interest in a PRC company and the Hong Kong resident is the beneficial owner of the dividends and meets other conditions, such tax shall not exceed 5% of the total amount of dividends payable by the PRC company. The Fifth Protocol (《第五協議書》) provides that such provisions shall not apply to arrangements or transactions made for one of the primary purposes of obtaining such tax benefits.

Although there may be other provisions under the Arrangement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《對所得避免雙重徵稅和防止偷漏稅的安排》), the treaty benefits under the criteria shall not be granted in the circumstance where relevant gains, after taking into account all relevant facts and conditions, are reasonably deemed to be one of the main purposes for the arrangement or transactions which will bring any direct or indirect benefits under this Arrangement, except when the grant of benefits under such circumstance is consistent with relevant objective and goal under the Arrangement. The application of the dividend clause of tax agreements is subject to the requirements of PRC tax law and regulation, such as the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》), which is implemented on February 2, 2009.

Tax Treaties

Non-resident investors residing in jurisdictions which have entered into treaties or adjustments for the avoidance of double taxation with the PRC might be entitled to a reduction of the Chinese corporate income tax imposed on the dividends received from PRC companies. The PRC currently has entered into Avoidance of Double Taxation Treaties or Arrangements with a number of countries and regions including Hong Kong Special Administrative Region, Macau Special Administrative Region, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant taxation treaties or arrangements are required to apply to the Chinese tax authorities for a refund of the corporate income tax in excess of the agreed tax rate, and the refund application is subject to approval by the Chinese tax authorities.

Taxation on Share Transfer

VAT and Local Additional Tax

Pursuant to the Notice of Ministry of Finance and State Administration of Taxation on Fully Implementing the Pilot Reform for the Transition from Business Tax to Value-added Tax (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》) (the "Circular 36"), which was implemented on May 1, 2016 and partially repealed on July 1, 2017, January 1, 2018 and April 1, 2019, entities and individuals engaged in the services sale in the PRC are subject to VAT and "engaged in the services sale in the PRC" means that the seller or buyer of the taxable services is located in the PRC. Circular 36 also provides that transfer of financial products, including transfer of the ownership of marketable securities, shall be subject to VAT at 6% on the taxable revenue (which is the balance of sales price upon deduction of purchase price), for a general or a foreign VAT taxpayer. However, individuals who transfer financial products are exempt from VAT, which is also provided in the Notice of Ministry of Finance and State Administration of Taxation on Several Tax Exemption Policies for Business Tax on Sale and Purchase of Financial Commodities by Individuals (《財政部、國家稅務總局關於個人金融商品買賣等營業稅若干免稅政策的通知》) effective on January 1, 2009. According to these regulations, if the holder is a non-resident individual, the PRC VAT is exempted from the sale or disposal of H shares; if the holder is a non-resident enterprise and the H-share buyer is an individual or entity located outside the PRC, the holder is not necessarily required to pay the PRC VAT, but if the H-share buyer is an individual or entity located in China, the holder may be required to pay the PRC VAT.

However, in view of no clear regulations, it is still uncertain whether the non-Chinese resident enterprises are required to pay the PRC VAT for the disposal of H shares in practice.

At the same time, VAT payers are also required to pay urban maintenance and construction tax, education surtax and local education surcharge, which shall be usually subject to 12% of the VAT payable (if any).

Income Tax

Individual Investors

According to the IIT Law, gains on the transfer of equity interests in the PRC resident enterprises are subject to individual income tax at a rate of 20%.

Pursuant to the Circular on Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the Ministry of Finance and the SAT on March 30, 1998, from January 1, 1997, income of individuals from transfer of the shares of listed enterprises continues to be exempted from individual income tax. The Ministry of Finance and the SAT have not expressly stated whether they will continue to exempt tax on income of individuals from transfer of the shares of listed enterprises in the latest amended IIT Law.

However, on December 31, 2009, the Ministry of Finance, SAT and CSRC jointly issued the Circular on Related Issues on Levying Individual Income Tax over the Income Received by Individuals from the Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》), which came into effect on January 1, 2010, which states that individuals' income from the transfer of listed shares obtained from the public offering of listed companies and transfer market on the Shanghai Stock Exchange and the Shenzhen Stock Exchange shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restriction (as defined in the Supplementary Notice on Issues Concerning the Levy of Individual Income Tax on Individuals' Income from the Transfer of Restricted Stocks of Listed Companies (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) jointly issued and implemented by such departments on November 10, 2010). As of the Latest Practicable Date, no aforesaid provisions have expressly provided that individual income tax shall be levied from non-Chinese resident individuals on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges.

Enterprise Investors

In accordance with the EIT Law, a non-resident enterprise is generally subject to corporate income tax at the rate of 10% on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. Such income tax payable for non-resident enterprises is deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise. Such tax may be reduced or exempted pursuant to relevant tax treaties or agreements on avoidance of double taxation.

Stamp Duty

According to the Stamp Duty Law of the PRC (《中華人民共和國印花稅法》), which was promulgated on June 10, 2021 and came into effect on July 1, 2022, PRC stamp duty only applies to specific taxable document executed or received within the PRC, having legally binding force in the PRC and protected under the PRC laws, thus the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of H Shares by non-PRC investors outside of the PRC.

Estate Duty

As of the date of this Listing Document, no estate duty has been levied in the PRC under the PRC laws.

EIT

According to the EIT Law, enterprises and other income-generating organizations (hereinafter collectively referred to as "an enterprise" or "enterprises") within the territory of the PRC are the taxpayers of enterprise income tax and shall pay enterprise income tax in accordance with the provisions of the EIT Law. The Enterprise Income Tax rate is 25%. According to the Administrative Measures for Determination of High and New Tech Enterprises (《高新技術企業認定管理辦法》), which was promulgated by the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation on April 14, 2008, amended on January 29, 2016 and became effective on January 1, 2016, an enterprise recognized as a high and new technology enterprise may apply for a preferential enterprise income tax rate of 15% pursuant to the relevant requirements of the EIT Law.

VAT

Pursuant to the Interim Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) issued on December 13, 1993 by the State Council, came into effect on January 1, 1994, and revised on November 10, 2008, February 6, 2016 and November 19, 2017, as well as the Implementation Rules for the Interim Regulations on Value-Added Tax of the PRC (《中華人民共和國增值稅暫行條例實施細則》) issued on December 25, 1993 by the MOF, came into effect on the same day and revised on December 15, 2008 and October 28, 2011, any entities and individuals engaged in the sale of goods, supply of processing, repair and replacement services, and import of goods within the territory of the PRC are taxpayers of VAT and shall pay the VAT in accordance with the law and regulation. The rate of VAT for sale of goods is 17% unless otherwise specified, such as the rate of VAT for sale of transportation is 11%. With the VAT reforms in the PRC, the rate of VAT has been changed several times. The MOF and the SAT issued the Notice of on Adjusting VAT Rates (《財政部、國家稅務總局關於調整增值稅稅率的通知》) on April 4, 2018 to adjust the tax rates of 17% and 11% applicable to any taxpayer's VAT taxable sale or import of goods to 16% and 10%, respectively, this adjustment became effect on May 1, 2018. Subsequently, the MOF, the SAT and the General Administration of Customs jointly issued the Announcement on Relevant Policies for Deepening the VAT Reform (《財政部、國家稅務總局關於深化增值稅改革有關政策的公告》) on March 20, 2019 to make a further adjustment, which came into effect on April 1, 2019. The tax rate of 16% applicable to the VAT taxable sale or import of goods shall be adjusted to 13%, and the tax rate of 10% applicable thereto shall be adjusted to 9%.

THE PRC LEGAL SYSTEM

The PRC legal system is based on the Constitution of the People's Republic of China (the "Constitution") and consists of statutory laws, administrative regulations, local regulations, separate regulations, autonomous regulations, departmental regulations, local government regulations, international treaties signed by the PRC government and other normative documents. Court judgments are not binding as precedents, but serve as judicial reference and guidance.

In accordance with the Constitution and the Legislation Law of the People's Republic of China (2023 Revision) (the "Legislation Law"), the National People's Congress and the National People's Congress Standing Committee are empowered to exercise national legislative power. The National People's Congress has the power to formulate and amend basic laws governing civil and criminal matters, state institutions and other matters. The Standing Committee of the National People's Congress is empowered to formulate and amend laws other than those that should be enacted by the National People's Congress, and to partially supplement and amend laws enacted by the National People's Congress when the National People's Congress is not in session, but the relevant supplements and modifications shall not conflict with the basic principles of the relevant laws.

The State Council is the highest administrative organ in the PRC, and has the power to formulate administrative regulations in accordance with the Constitution and laws.

The people's congresses and standing committees of provinces, autonomous regions, and direct municipalities under the Central Government may formulate local regulations based on the specific conditions and actual needs of their respective administrative regions, but relevant local regulations must not conflict with any provisions of the Constitution, laws, or administrative regulations.

The ministries and committees of the State Council, the People's Bank of China, the Audit Office of the People's Republic of China, and other direct agencies under the State Council with administrative functions may formulate regulations within the scope of their authority in accordance with the laws and administrative regulations, decisions, and orders of the State Council.

The people's congress of a city that is divided into districts and its standing committee may formulate local regulations based on the city's specific conditions and actual needs in the areas of urban and rural development and management, ecological civilization construction, and historical and cultural protection, and make submissions to the standing committees of the people's congresses of provinces and autonomous regions, which will be implemented after approval by the committee, given that the relevant local regulations do not conflict with the constitution, laws, administrative regulations and relevant local regulations of the province or autonomous region. The people's congresses of ethnic autonomous areas hold the power to formulate autonomy regulations and separate regulations in accordance with the political, economic and cultural characteristics of the local ethnic groups.

The people's governments of provinces, autonomous regions, municipalities directly under the Central Government, and cities divided into districts or autonomous prefectures may formulate regulations in accordance with laws, administrative regulations and local regulations of the province, autonomous region, or municipality directly under the Central Government. The Constitution has the highest legal force, and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may conflict with the Constitution. The force of law is higher than administrative regulations, local regulations and rules. The force of administrative regulations is higher than local regulations and rules. The force of local regulations is higher than regulations of local governments at the same level and below. The force of regulations formulated by the people's government of a province or autonomous region is higher than the regulations formulated by the people's government of a city divided into districts or an autonomous prefecture within the administrative region of the province or autonomous region.

The National People's Congress has the power to amend or revoke any inappropriate laws enacted by its Standing Committee, and to revoke any autonomous regulations or separate regulations approved by the National People's Congress Standing Committee that violate the provisions of the Constitution or legislative laws. The Standing Committee of the National People's Congress has the power to revoke any administrative regulations that conflict with the Constitution and laws, the power to revoke any local regulations that conflict with the Constitution, laws or administrative regulations, and the power to revoke any autonomous regulations or separate regulations approved by the Standing Committee of the People's Congress of any province, autonomous region, or municipality directly under the Central Government that violate the provisions of the Constitution and legislative laws. The State Council has the power to amend or revoke any inappropriate departmental regulations and local government regulations. The people's congresses of provinces, autonomous regions or municipalities directly under the Central Government have the power to change or revoke any inappropriate local regulations enacted or approved by their respective standing committees. The people's governments of provinces and autonomous regions have the right to change or revoke any inappropriate regulations formulated by the people's governments at lower levels.

According to the Constitution and Legislative Law, the power of legal interpretation belongs to the Standing Committee of the National People's Congress. According to the "Resolution of the Standing Committee of the National People's Congress on Strengthening Legal Interpretation" passed on June 10, 1981, the Supreme People's Court of the People's Republic of China ("Supreme People's Court") has the power to give general explanations on specific issues concerning the application of laws and decrees in court trials. The State Council and its ministries and commissions also have the power to interpret the administrative regulations and departmental rules promulgated by them. At the local level, the power to interpret local laws, regulations and administrative regulations rests with the local legislative and administrative agencies that promulgate the relevant laws, regulations and rules.

THE PRC JUDICIAL SYSTEM

According to the Constitution and the "Organic Law of the Courts of the People's Republic of China (Revised in 2018)", the PRC Judicial System consists of the Supreme People's Court, local people's courts at various levels and specialized people's courts.

The local people's courts are comprised of the basic people's courts, the intermediate people's courts and the higher people's courts. The higher people's courts supervise the basic and intermediate people's courts. The People's Procuratorate also has the power to exercise legal supervision over civil proceedings in the people's courts at the same level and at lower levels. The Supreme People's Court is the highest judicial body in the PRC, and supervises the administration of justice by all of the people's courts.

The Civil Procedure Law of the PRC (revised in 2023) (《中華人民共和國民事訴訟法(2023年修正)》) (the "Civil Procedure Law") sets forth the criteria for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the province in which the defendant resides. The parties to a contract may, by an express agreement, select a court of jurisdiction where civil actions may be brought, provided that the court of jurisdiction is located in the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the place of the subject matter. However, such selection cannot violate the stipulations of jurisdiction by level and exclusive jurisdiction in any case.

A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may impose the same limitations on the citizens and enterprises of that foreign country.

If any party to a civil action refuses to comply with a judgment or an order made by a people's court or an award granted by an arbitration panel in the PRC, the other party may apply to the people's court to request for the enforcement of the judgment, order or award. There are time limits imposed on the right to apply for such enforcement and the time limit is two years. If a party fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by the other party, enforce the judgment in accordance with the law.

A party seeking to enforce a judgment or an order of a people's court against a party who is not located within the PRC and does not own any property in the PRC, may apply to a foreign court having jurisdiction over the case for recognition and enforcement of the judgment or order. A foreign judgment or order may also be recognized and enforced by a people's court in accordance with the PRC enforcement procedures if the PRC has entered into or acceded to an international treaty providing for such recognition and enforcement with the relevant foreign country, or if the judgment or order under the principle of reciprocity satisfies the review of the court, unless the people's court determines that the recognition or enforcement of such judgment or order would result in violation of the fundamental legal principles of the PRC, national sovereignty or security, or contrary to the social and public interests.

THE PRC COMPANY LAW, TRIAL MEASURES AND GUIDELINES FOR ARTICLES OF ASSOCIATION

A joint stock limited company established in the PRC seeking a listing on The Stock Exchange of Hong Kong Limited is mainly subject to the following laws and regulations of the PRC.

The PRC Company Law (《中華人民共和國公司法》), or the Company Law, was adopted by the Fifth Standing Committee Meeting of the Eighth NPC on 29 December 1993 and came into effect on 1 July 1994, and was amended on 25 December 1999, 28 August 2004, 27 October 2005, 28 December 2013, 26 October 2018 and 29 December 2023. The latest revised Company Law came into effect on 1 July 2024.

The Trial Measures and its five interpretative guidelines promulgated by the CSRC on 17 February 2023 came into effect on 31 March 2023 and were applicable to the direct and indirect overseas share subscription and listing of domestic companies.

According to the Trial Measures and its interpretative guidelines, where a domestic company directly offering and listing overseas, it shall formulate its articles of association in line with the Guidelines for Articles of Association of Listed Companies (《上市公司章程指引》), or the Guidelines for Articles of Association, in place of the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas which ceased to apply from 31 March 2023. The Guidelines for Articles of Association were promulgated by the CSRC on 16 December 1997 and last amended on 15 December 2023.

Set out below is a summary of the major provisions of the Company Law, the Trial Measures and the Guidelines for Articles of Association which are applicable to our Company.

General Provisions

"A joint stock limited company" means a corporate legal person incorporated under the Company Law, whose registered capital is divided into shares of equal par value. The liability of its shareholders is limited to the extent of the shares held by them and the liability of a company is limited to the full value of all the property owned by it.

A company must conduct its business in accordance with laws as well as public and commercial ethics. A company may invest in other limited liability companies. The liabilities of the company to such invested companies are limited to the amount invested. Unless otherwise provided by laws, a company cannot be the capital contributor who has the joint liabilities associated with the debts of the invested enterprises.

Incorporation

A joint stock limited company may be incorporated by promotion or subscription. A joint stock limited company may be incorporated by a minimum of one but not more than 200 promoters, and at least half of the promoters must have residence within the PRC.

The promoters shall convene an inaugural meeting of the company within 30 days after the share capital has been paid-up and shall notified all subscribers the date of the meeting or make an announcement in this regard 15 days before the meeting. The inaugural meeting may be held only the presence of promoters and subscribers holding more than 50% of the total number of shares. Powers to be exercised at the inaugural meeting include but not limited to the adoption of articles of association and the election of members of the board of directors and the supervisory committee of a company. The aforesaid matters shall be resolved by more than 50% of the votes to be casted by subscribers presented at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors shall apply to the registration authority for registration of the incorporation of the joint stock limited company. A company is formally established and has the status of a legal person after the business license has been issued by the relevant registration authority.

Registered Shares

Under the Company Law, shareholders may make capital contributions in cash, or with non-monetary property that may be valued in money and legally transferred, such as contribution in kind or with an intellectual property rights, land use rights, shareholding or claims.

The Trial Measures provides that domestic enterprises that are listed overseas may raise funds and distribute dividends in foreign currencies or Renminbi.

Under the Trial Measures, for a domestic company directly offering and listing overseas, shareholders of its domestic unlisted shares applying to convert such shares into shares listed and traded on an overseas trading venue shall conform to relevant regulations promulgated by the CSRC, and authorize the domestic company to file with the CSRC on their behalf. The domestic unlisted shares mentioned in the preceding paragraph refer to the shares that have been issued by domestic enterprises but have not been listed or listed for trading on domestic exchanges. Domestic unlisted shares shall be centrally registered and deposited with domestic securities registration and settlement institutions. The registration and settlement arrangements of overseas listed shares shall be subject to the provisions of overseas listing places.

Under the Company Law, a joint stock limited company is required to maintain a register of shareholders, detailing the following information: (i) the name and domicile of each shareholder; (ii) the class and number of shares subscribed for by each shareholder; (iii) the serial number of shares if issued in paper form; and (iv) the date on which each shareholder acquired the shares.

Allotment and Issue of Shares

All issue of shares of a joint stock limited company shall be based on the principles of equality and fairness. The same class of shares must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. It may issue shares at par value or at a premium, but it may not issue shares below the par value.

Domestic enterprises issued and listed overseas shall file with the CSRC in accordance with Trial Measures, submit filing reports, legal opinions and other relevant materials, and truthfully, accurately and completely explain shareholder information and other information. Where a domestic enterprise directly issues and is listed overseas, the issuer shall file with the CSRC. If a domestic enterprise is indirectly listed overseas, the issuer shall designate a major domestic operating entity as the domestic responsible person and file with the CSRC.

Increase in Share Capital

Under the Company Law, in the case of a joint stock limited company issuing new shares, resolutions shall be passed at the shareholders' general meeting in respect of the class and number of new shares, the issue price of the new shares, the commencement and end dates for the issuance of new shares and the class and number of the new shares proposed to be issued to existing shareholders, if any. If no par value stock is issued, the proceeds from the issuance of the new stocks shall be included into the registered capital. Additionally, if a company intends to make public offering of shares, it is required to complete the registration with the securities regulatory authority of the State Council and announce the prospectus.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the Company Law:

(i) to prepare a balance sheet and a property list;

(ii) a company makes a resolution at shareholders' general meeting to reduce its registered capital;

(iii) a company shall inform its creditors within 10 days and publish an announcement in newspapers or the National Enterprise Credit Information Publicity System within 30 days after the approval of resolution of reducing registered capital;

(iv) the creditors shall have the right to require a company to repay its debts or provide corresponding guarantees within 30 days after receiving the notice or within 45 days after the announcement if the creditors have not received the notice;

(v) when a company reduces its registered capital, it shall register the change with a company registration authority in accordance with the law.

When a company reduces its registered capital, it must reduce the amount of capital contribution or shares in proportion to the capital contribution or shares held by the shareholders, unless otherwise prescribed by any law, or agreed upon by all the shareholders of a limited liability company, or as specified in the articles of association of a joint stock limited company.

Share Buy-Back

Under the Company Law, a company shall not purchase its own shares. Except for any following circumstances:

(i) reducing the registered capital;

(ii) merging with other company that holds the shares of the company;

(iii) using the shares for employee stocks plan or equity incentives;

(iv) with respect to shareholders voting against any resolution adopted at the shareholders' general meeting on the merger or division of our Company, the right to demand our Company to acquire the shares held by them;

(v) using the shares for the conversion of convertible corporate bonds issued by the company;

(vi) as required for maintenance of the corporate value and shareholders' rights and interests of a listed company.

The purchase of shares of a company for reasons specified in the case of (i) to (ii) above shall be subject to the resolution of the general meeting; the purchase of shares of a company for reasons specified in the case of (iii), (v) and (vi) above shall be subject to the resolution of the Board meeting attended by more than two-thirds of the directors in accordance with the provisions of the articles of association or the authorization from the general meeting.

Following the purchase of a company's shares by a company in accordance with the above provisions, such shares shall be canceled within 10 days from the date of buy-back in the case of item (i) above; such shares shall be transferred or canceled within six months in the case of items (ii) and (iv) above; the total numbers of share of our Company held by a company shall not exceed 10% of the total issued shares of a company, and shall be transferred or canceled within three years in the case of items (iii), (v) and (vi) above.

Transfer of Shares

Shares held by a shareholder may be transferred according to the law. Under the Company Law, a shareholder should affect a transfer of his shares on securities exchange established according to the law or by any other means as required by the State Council. Shares may be transferred by endorsement of shareholders or by other means stipulated by laws or administrative regulations. After the transfer, a company shall record the name and address of the transferee in the register of shareholders. Within 20 days before a shareholders' meeting is held or within five days before the record date decided by the corporation for distribution of dividends, the shareholder register may not be modified. If any law, administrative regulation, or any provision by the securities regulatory authority of the State Council specifies otherwise for the modification of the register of shareholders of a listed company, such provisions should prevail.

Under the Company Law, shares issued by a company prior to the public offering of shares shall not be transferred within one year from the date on which the shares of the company are listed and traded on a securities exchange, except for the transfer of shares of a listed company by the shareholders and actual controller of the listed company as otherwise prescribed by a law, an administrative regulations, or the securities regulatory agency of the State Council. The directors, supervisors and senior management of the company should declare to the company the shares they hold and the changes thereof. During the term of office as determined when they assume the posts, the shares transferred each year should not exceed 25% of the total shares they hold of the company. Shares of a company held by its directors, supervisors and senior management shall not be transferred within one year from the date of a company's listing on a securities exchange, nor within six months after their resignation from their positions with a company.

If the shares are pledged within the time limit for restricted transfer as provided for by laws and administrative regulations, the pledgee cannot exercise the pledge right within such restricted period.

Shareholders

Under the Company Law and Guidelines for Articles of Association the rights of a shareholder of ordinary shares of a company include:

(i) to receive dividends and other forms of distributions in proportion to their shareholdings;

(ii) to attend or appoint a proxy to attend shareholders' general meetings and to exercise voting rights;

(iii) to supervise and manage a company's business operations, and to present proposals or to raise inquiries;

(iv) to transfer shares in accordance with laws, administrative regulations and the provisions of the articles of association;

(v) to inspect the company's articles of association, share register, counterfoil of company debentures, minutes of shareholder's general meetings, resolutions of meetings of the board of directors, resolutions of meetings of the board of supervisors and financial and accounting reports and to make proposals or enquiries on the company's operations;

(vi) in the event of the winding-up or liquidation of a company, to participate in the distribution of remaining property of a company in proportion to the number of shares held;

(vii) other rights conferred by laws, administrative regulations and the articles of association.

The obligations of a shareholder of ordinary shares of a company include:

(i) to comply with the articles of association;

(ii) to pay subscription money according to the number of shares subscribed and the method of subscription;

(iii) not to abuse their shareholders' rights to damage the interests of a company or other shareholders; not to abuse the independent legal person status of a company and the limited liability of shareholders to damage the interests of the creditors of a company;

(iv) other obligations conferred by laws, administrative regulations and the articles of association.

Shareholder's General Meetings

Under the Company Law, the shareholders' general meeting of a joint stock limited company is made up of all shareholders. The shareholders' general meeting is the organ of authority of a company, which exercises the following functions and powers:

(i) to elect and replace directors and supervisors and to decide on matters relating to the remuneration of directors and supervisors;

(ii) to examine and approve reports of the board of directors;

(iii) to examine and approve reports of the supervisory committee;

(iv) to examine and approve a company's profit distribution plans and loss recovery plans;

(v) to resolve on the increase or reduction of a company's registered capital;

(vi) to resolve on the issuance of corporate bonds;

(vii) to resolve on the merger, division, dissolution, liquidation or change of corporate form of a company;

(viii) to amend the company's articles of association;

(ix) other functions and powers specified in provision of the articles of association.

Under the Company Law, annual shareholders' general meetings are required to be held once every year. An extraordinary shareholders' general meeting is required to be held within two months after the occurrence of any of the following circumstances:

(i) the number of directors is less than the number stipulated in the Company Law or less than two-thirds of the number specified in the articles of association;

(ii) when the unrecovered losses of a company amount to one-third of the total share capital;

(iii) shareholders individually or jointly holding 10% or more of the company's shares request;

(iv) when deemed necessary by the Board;

(v) the Supervisory Committee proposes to convene the meeting;

(vi) other circumstances as stipulated in the articles of association.

Shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or not performing his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting.

If the board of directors is incapable of performing or is not performing its duties to convene the general meeting, the supervisory board should convene and preside over shareholders' general meeting in a timely manner. If the supervisory board fails to convene and preside over shareholders' general meeting, shareholders individually or in aggregate holding 10% or more of the company's shares for 90 days or more consecutively may unilaterally convene and preside over shareholders' general meeting.

If the shareholders who separately or aggregately hold more than 10% of the shares of the company request to convene an interim shareholders' meeting, the board of directors and the board of supervisors should, within 10 days after the receipt of such request, decide whether to hold an interim shareholders' meeting and reply to the shareholders in writing.

Notice of general meeting shall state the time and venue of and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. A notice of extraordinary general meeting shall be given to all shareholders 15 days prior to the meeting.

Shareholders who individually or jointly hold more than 1% of the company's shares may put forward interim proposals and submit them to the board of directors in writing 10 days before the general meeting of shareholders. The board of directors shall notify the other shareholders within two days of receipt of the proposal, and submit the *ad hoc* proposal to the shareholders' meeting for deliberation, except for an *ad hoc* proposal that violates a law, an administrative regulation, or the company bylaws or does not fall within the scope of powers of the shareholders' meeting. A corporation may not raise the shareholding ratio of a shareholder or shareholders submitting an ad hoc proposal.

Under the Company Law, a shareholder may entrust a proxy to attend a shareholders' general meeting, and it should clarify the matters, power and time limit of the proxy. The proxy shall present a written power of attorney issued by the shareholder to a company and shall exercise his voting rights within the scope of authorization. There is no specific provision in the Company Law regarding the number of shareholders constituting a quorum in a shareholders' general meeting.

Under the Company Law, shareholders present at a shareholders' general meeting have one vote for each share they hold, except the shareholders of classified shares. However, shares held by the company itself are not entitled to any voting rights.

The cumulative voting system may be adopted for the election of directors and supervisors at the shareholders' general meeting in accordance with the provisions of the articles of association or the resolutions of the shareholders' general meeting. Under the accumulative voting system, each share shall have the same number of voting rights as the number of directors or supervisors to be elected at the shareholders' general meeting, and shareholders may consolidate their voting rights when casting a vote.

Under the Company Law and the Guidelines for Articles of Association, the passing of any resolution requires affirmative votes of shareholders representing more than half of the voting rights represented by the shareholders who attend the shareholders' general meeting.

Matters relating to merger, division or dissolution of a company, increase or reduction of registered capital, change of corporate form or amendments to the articles of association must be approved by more than two-thirds of the voting rights held by the shareholders present at the meeting.

Directors

Under the Company Law, a joint stock limited company should have a board of directors, which consists of more than three members. The term of office of a director shall be stipulated in the articles of association, but each term of office shall not exceed three years. Directors may serve consecutive terms if re-elected.

Meetings of the board of directors shall be convened at least twice a year. All directors and supervisors shall be noticed 10 days before the meeting for every meeting. The Board exercises the following functions and powers:

(i) to convene shareholder's general meetings and report its work to the shareholder's general meetings;

(ii) to implement the resolutions of the shareholder's general meeting;

(iii) to decide on a company's business plans and investment plans;

(iv) to formulate a company's profit distribution plan and loss recovery plan;

(v) to formulate proposals for the increase or reduction of a company's registered capital and the issue of corporate bonds;

(vi) to formulate plans for merger, division, dissolution or change of corporate form of a company;

(vii) to decide on the internal management structure of a company;

(viii) to decide on the appointment or dismissal of the manager of a company and their remuneration;

(ix) To decide on the appointment or dismissal of the deputy manager and financial officer of a company based on the nomination of the manager and as well as remuneration;

(x) to formulate a company's basic management system;

(xi) other functions and powers specified in the articles of association or granted by the shareholders' meeting.

Board meetings shall be held only if more than half of the directors are present. If a director is unable to attend a board meeting, he may appoint another director by a power of attorney specifying the scope of the authorization for another director to attend the meeting on his behalf. If a resolution of the board of directors violates the laws, administrative regulations or the articles of association, and as a result of which the company suffers serious losses, the directors participating in the resolution shall be liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be exempt from such liability.

Under the Company Law, a person may not serve as a director of a company if he/she is:

(i) a person without capacity or with restricted capacity;

(ii) a person who has been sentenced to any criminal penalty due to an offence of corruption, bribery, encroachment of property, misappropriation of property, or disrupting the order of the socialist market economy, or has been deprived of political rights due to a crime, where a five-year period has not elapsed since the date of completion of the sentence; if he/she is pronounced for suspension of sentence, a two-year period has not elapsed since the expiration of the suspension period;

(iii) a person who was a director, factory manager or manager of a company or enterprise which has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the insolvency and liquidation of such company or enterprise;

(iv) persons who were legal representatives of a company or enterprise which had its business license revoked due to violation of the law and had been closed down by order, and who were personally liable, where less than three years have elapsed since the date of the revocation of the business license of the company or enterprise or the order for closure; and

(v) being listed as one of "dishonest persons subject to enforcement" by the people's court due to his/her failure to pay off a relatively large amount of due debts.

The board of directors shall have one chairman, who shall be elected by more than half of all the directors. The chairman shall exercise the following functions and powers (including but not limited to):

(i) to preside over shareholders' general meetings and convene and preside over board meetings;

(ii) to examine the implementation of resolutions of the Board;

(iii) to sign the securities issued by a company;

(iv) to exercise other powers conferred by the Board.

Supervisors

Under the Company Law, a joint stock limited company shall have a supervisory committee composed of not less than three members. The supervisory committee shall comprise shareholder representatives and an appropriate proportion of the company's staff representatives, of which the proportion of staff representatives shall not be less than one-third and the specific proportion shall be stipulated in the articles of association. Employee representatives of the supervisory committee shall be democratically elected by the company's employees at the employee representative assembly, employee general meeting or otherwise. Directors or senior management may not act concurrently as supervisors.

The Supervisory Committee exercises the following powers:

(i) to examine the company's financial affairs;

(ii) to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, administrative regulations, the articles of association or resolutions of shareholders' general meetings;

(iii) to demand rectification by a director or senior management when the acts of such persons are harmful to the company's interest;

(iv) to propose the convening of extraordinary general meetings, and to convene and preside over shareholders' general meetings when the Board fails to perform the duty of convening and presiding over shareholders' general meetings under the Company Law;

(v) to submit proposals to the shareholders' general meeting;

(vi) to initiate legal proceedings against directors and senior management in accordance with the Company Law;

(vii) other functions and powers specified in the articles of association.

Managers and Senior Management

Under the Company Law, a company should have a manager who is appointed or removed by the board of directors. The manager is responsible to the board of directors and exercise his/her functions and powers according to the Articles of Association or the authorization of the board of directors. The manager attends the meetings of the board of directors as a non-voting member.

According to the Company Law, senior management shall refer to the manager, deputy manager(s), financial controller, secretary of the board of directors and other personnel as stipulated in the articles of association of the company.

Duties of Directors, Supervisors and Senior Management

Directors, supervisors and senior management of the company are required under the Company Law to comply with the relevant laws, regulations and the articles of association, and have fiduciary and diligent duties to the company. Directors, supervisors and senior management are prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating the company's properties.

Directors, supervisors and senior management are prohibited from:

(i) embezzling the company's property or misappropriating of the company's capital;

(ii) depositing the company's capital into accounts under his own name or the name of other individuals;

(iii) giving bribes or accepting any other illegal proceeds by taking advantage of their power;

(iv) accept and possess commissions paid by a third party for transactions conducted with the company;

(v) unauthorized divulgence of confidential information of the company; or

(vi) other acts in violation of their fiduciary duty to the company.

If any director, supervisor or senior management directly or indirectly concludes a contract or conducts a transaction with the company, he/she should report the matters relating to the conclusion of the contract or transaction to the board of directors or shareholders' meeting, subject to the approval of the board of directors or shareholders according to the articles of association.

The provisions of the preceding paragraph shall apply if any near relatives of the directors, supervisors or senior management, or any of the enterprises directly or indirectly controlled by the directors, supervisors or senior management or any of their near relatives, or any related parties with any other related-party relationship with the directors, supervisors or senior management, concludes a contract or conducts a transaction with the company.

Neither director, supervisor or senior management may take advantage of his/her position to seek any business opportunity that belongs to the company for himself/herself or any other person except under any of the following circumstances:

(i) where he/she has reported to the board of directors or the shareholders' meeting and has been approved by a resolution of the board of directors or the shareholders' meeting according to the Articles of Association; or

(ii) where the company cannot make use of the business opportunity as stipulated by laws, administrative regulations or the Articles of Association.

Where any director, supervisor or senior management fails to report to the board of directors or the shareholders' meeting and obtain an approval by resolution of the board of directors or the shareholders' meeting according to the articles of association, he/she may not engage in any business that is similar to that of the company where he/she holds office for himself/herself or for any other person.

A director, supervisor or senior management who contravenes any law, regulation or the company's articles of association in the performance of his duties resulting in any loss to the company shall be personally liable for the damages to the company.

Finance and Accounting

Under the Company Law, a company shall establish its financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council. At the end of each fiscal year, the company shall prepare a financial and accounting reports which shall be audited by an accounting firm in accordance with the law. The financial and accounting reports shall be prepared in accordance with the laws, administrative regulations and the regulations of the financial department of the State Council.

A joint stock limited company shall make its financial and accounting reports available at the company for inspection by the shareholders 20 days before the convening of an annual general meeting of shareholders. A joint stock limited company issuing its shares in public must publish its financial and accounting reports.

When distributing each year's after-tax profits, the company shall set aside 10% of its profits into its statutory reserve fund. The company can no longer withdraw statutory reserve fund if it has accumulated to more than 50% of the registered capital. If the statutory reserve fund of the company is insufficient to make up for the losses of the previous years, the current year profits shall be used to make up for the losses before making allocations to the statutory reserve in accordance with the preceding paragraph. After the company has made an allocation to the statutory reserve fund from its after-tax profit, it may also make an allocation to the discretionary reserve fund from its after-tax profit upon a resolution of the general meeting or the shareholders' general meeting.

A joint stock limited company may distribute profits in proportion to the number of shares held by its shareholders, except as otherwise prescribed in the articles of association.

The premium over the nominal value of the shares of a company from the issue of shares, the amount of share proceeds from the issuance of no-par shares that have not been credited to the registered capital and other incomes required by the financial department of the State Council to be treated as the capital reserve fund shall be accounted for as the capital reserve fund of the company.

The reserve fund of the company shall be used to make up losses of the company, expand the production and operation of the company or increase the registered capital of the company. Where the reserve fund of a company is used for making up losses, the discretionary reserve and statutory reserve shall be firstly used. If losses still cannot be made up, the capital reserve can be used according to the relevant provisions. When the statutory reserve fund is converted to increase registered capital, the balance of the statutory reserve shall not be less than 25% of the registered capital before such conversion.

The company shall not keep accounts other than those provided by law.

Appointment and Dismissal of Accounting Firms

Pursuant to the Company Law, the engagement or dismissal of an accounting firm responsible for the company's auditing shall be determined by a shareholders' general meeting, the board of directors or the board of supervisors in accordance with the articles of association. The accounting firm should be allowed to make representations when the general meeting, the board of directors or the board of supervisors conduct a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidence, accounting books, financial and accounting reports and other accounting information to the engaged accounting firm without any refusal or withholding or falsification of information.

The Guidelines for Articles of Association provides that the company guarantees to provide true and complete accounting vouchers, accounting books, financial accounting reports and other accounting materials to the employed accounting firm, and shall not refuse, conceal or falsely report. And the audit fee of the accounting firm shall be decided by the general meeting of shareholders.

Profit Distribution

Where a company distributes profits to shareholders in violation of the provisions of the Company Law, the shareholders shall refund the profits distributed to the company, and the shareholders, directors, supervisors, and senior management personnel who are responsible for causing losses to the company shall bear compensation liability.

Dissolution and Liquidation

According to the Company Law, a company shall be dissolved for the following reasons:

(i) the term of business stipulated in the Articles of Association has expired or other events of dissolution specified in the Articles of Association have occurred;

(ii) the general meeting or the shareholders' general meeting resolves to dissolve the company;

(iii) dissolution is necessary due to a merger or division of the company;

(iv) the business license is revoked, or the business license is ordered to be closed or revoked in accordance with laws;

(v) where the company encounters serious difficulties in its operation and management and its continuance shall cause a significant loss in the interest of shareholders, and where this cannot be resolved through other means, shareholders who hold more than 10% of the total shareholders' voting rights of the company may present a petition to a people's court for the dissolution of the company with the support of the judgment.

If any of the situations as mentioned in the preceding paragraph arises, a company shall publicize the situations through the National Enterprise Credit Information Publicity System within ten days.

Where the company is dissolved in accordance with sub-paragraph (i) above, it may carry on its existence by amending its articles of association or upon a resolution of the shareholders' meeting, which must be approved by more than two-thirds of the voting rights held by the shareholders present at the shareholders' general meeting. Where the company is dissolved pursuant to sub-paragraphs (i), (ii), (iv) or (v) above, it shall be liquidated. The directors, who are the liquidation obligors of the company, shall form a liquidation group to carry out liquidation within 15 days from the date of occurrence of the cause of dissolution. The liquidation group shall be composed of the directors, unless it is otherwise provided for in the company's Articles of Association or it is otherwise elected by the shareholders' meeting. The liquidation obligors shall be liable for compensation if they fail to fulfill their obligations of liquidation in a timely manner, and thus any loss is caused to the company or the creditors.

The liquidation group fails to be formed within the time limit or fails to carry out the liquidation after its formation, any interested party may request the people's court to designate relevant persons to form a liquidation group. The people's court shall accept such request and organize a liquidation group to carry out the liquidation in a timely manner.

The liquidation committee shall exercise the following functions and powers during the liquidation period:

(i) to liquidate the company's property and respectively prepare balance sheet and list of property;

(ii) to notify creditors by notice or public announcement;

(iii) to deal with the outstanding business of the company involved in the liquidation;

(iv) to pay all outstanding taxes and taxes arising in the course of liquidation;

(v) to liquidate claims and debts;

(vi) distributing the remaining property of the company after paying off debts;

(vii) to participate in civil litigations on behalf of the company.

The liquidation group shall notify the company's creditors within ten days as of its formation and shall make a public announcement in the newspaper or on the National Enterprise Credit Information Publicity System within 60 days. The creditors shall file their proofs of claim with the liquidation group within 30 days as of the receipt of the notice or within 45 days as of the issuance of the public announcement in the case of failing to receive such notice.

After the liquidation expenses, wages of employees, social insurance expenses, and statutory indemnities are paid, the taxes owed are paid, and the debts of the company are repaid, the residual property of the company may be distributed in proportion to the capital contributions of the shareholders in the case of a limited liability company or in proportion to the shares held by the shareholders in the case of a corporation.

During the liquidation period, the company shall continue to exist but shall not carry out any business activities unrelated to the liquidation. The company's assets shall not be distributed to the shareholders before the liquidation in accordance with the preceding paragraph.

If the liquidation committee, having thoroughly examined the company's assets and having prepared a balance sheet and an inventory of assets, discovers that the company's assets are insufficient to pay its debts in full, it shall file an application to a people's court for bankruptcy liquidation in accordance with the laws. After the people's court accepts the application for bankruptcy, the liquidation group shall hand over the liquidation matters to the bankruptcy administrator designated by the people's court.

Upon completion of the liquidation, the liquidation committee shall prepare a liquidation report to be submitted to the shareholders' general meeting or the people's court for confirmation, and submit to the company registration authority to apply for cancelation of the company's registration.

The members of the liquidation group performing their duties of liquidation are obliged to loyalty and diligence. Any member of the liquidation group who neglects to fulfill his/her liquidation duties, thus causing any loss to the company shall be liable for compensation, and any member of the liquidation group who cause any loss to any creditor due to his/her intentional or gross negligence shall be liable for compensation.

Where, after three years since the business license of a company is revoked, or the company is ordered to close down or is revoked, the company fails to apply for its deregistration with the company registration authority, the said authority may announce the company's deregistration through the National Enterprise Credit Information Publicity System for a period of no less than 60 days. If there is no objection after the announcement period expires, the company registration authority may deregister the company.

Overseas Listing

According to the Trial Measures, where an issuer makes an overseas initial public offering or listing, it shall file with the CSRC within 3 working days after submitting the application documents for overseas issuance and listing. If an issuer issues securities in the same overseas market after overseas issuance and listing, it shall file with the CSRC within 3 working days after the completion of the issuance. If an issuer issues and lists in other overseas markets after overseas issuance and listing, it shall be filed in accordance with the provisions of the first paragraph of this article. Moreover, if the filing materials are complete and meet the requirements, the CSRC shall complete the filing within 20 working days from the date of receiving the filing materials, and publicize the filing information through the website. If the filing materials are incomplete or do not meet the requirements, the CSRC shall inform the issuer of the materials to be supplemented within 5 working days after receiving the filing materials. The issuer shall supplement the materials within 30 working days.

Loss of Share Certificates

A shareholder may, in accordance with the public notice procedures set out in the PRC Civil Procedure Law, apply to a people's court if his share certificate(s) in registered form is either stolen, lost or destroyed, for a declaration that such certificate(s) will no longer be valid. After the people's court declared that such certificate(s) will no longer be valid, the shareholder may apply to the company for the issue of a replacement certificate(s).

Suspension and Termination of Listing

The Company Law has deleted provisions governing suspension and termination of listing. The PRC Securities Law (2019 revision) (《中華人民共和國證券法(2019年修訂)》) has also deleted provisions regarding suspension of listing. Where listed securities fall under the delisting circumstances stipulated by the stock exchange, the stock exchange shall terminate its listing and trading in accordance with the business rules.

According to the Trial Measures, in case of active or compulsory termination of listing, the issuer shall report the specific situation to the CSRC within 3 working days from the date of occurrence and announcement of the relevant matters.

SECURITIES LAW AND REGULATIONS

In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by Chinese companies in the mainland China or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking research and analysis. On 29 March 1998, the State Council consolidated the above two departments and reformed the CSRC.

The Provisional Regulations Concerning the Issue and Trading of Shares (《股票發行與交易管理暫行條例》) promulgated by the State Council and effective on 22 April 1993 provide the application and approval procedures for public offerings of shares, trading in shares, the acquisition of listed companies, the deposit, settlement and transfer of listed shares, the disclosure of information with respect to a listed company, investigation and penalties and dispute arbitration.

The Regulations of the State Council Concerning the Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》), which were promulgated by the State Council and came into effect on 25 December 1995, mainly provide for the issue, subscription, trading and payment of dividends of domestic listed foreign shares and disclosure of information of joint stock limited companies with domestic listed foreign shares.

The Securities Law of the People's Republic of China (《中華人民共和國證券法》), or the PRC Securities Law, which was amended by the Standing Committee of the NPC on 28 December 2019 and came into effect on 1 March 2020, provides a series of provisions regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities in the PRC, and comprehensively regulates activities in the PRC securities market. The PRC Securities Law provides that a domestic enterprise must comply with the relevant provisions of the State Council in issuing securities directly or indirectly outside the PRC or listing and trading its securities outside the PRC. Currently, the issue and trading of foreign issued shares are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

Under the Arbitration Law of the People's Republic of China (《中華人民共和國仲裁法》), or the Arbitration Law, amended by the Standing Committee of the NPC on September 1 2017 and effective on January 1 2018, the Arbitration Law is applicable to economic disputes involving foreign parties, and all parties have entered into a written agreement to refer the matter to an arbitration committee constituted in accordance with the Arbitration Law. An arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with relevant regulations under the Arbitration Law and the PRC Civil Procedure Law. Where both parties have agreed to settle disputes by means of arbitration, the people's court will refuse to take legal action brought by a party in the people's court.

Under the Arbitration Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement according to the PRC Civil Procedure Law. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any procedural irregularity (including irregularity in the composition of the arbitration committee or the making of an award on matters beyond the scope of the arbitration agreement or the jurisdiction of the arbitration commission). A party seeking to enforce an arbitral award of foreign arbitration commission against a party who or whose property is not within the PRC shall apply to a foreign court with jurisdiction over the case for recognition and enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the people's court in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC.

According to the Arrangement of the Supreme People's Court on Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的安排》) promulgated by the Supreme People's Court on 24 January 2000 and effective on 1 February 2000, and the Supplementary Arrangement of the Supreme People's Court on Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的補充安排》) promulgated by the Supreme People's Court on 26 November 2020 and effective on 27 November 2020, awards made by PRC arbitral authorities can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in the PRC.

This Appendix sets our summaries of main clauses of our Articles of Association adopted on December 11, 2024, which shall become effective as at the date on which the H shares are listed on the Hong Kong Stock Exchange. As the main purpose of this Appendix is to provide potential investors with an overview of our Articles of Association, it may not necessarily contain all information that is important for potential investors.

1. DIRECTORS AND BOARD OF DIRECTORS

(1) Power to allocate and issue shares

The Articles of Association does not contain clauses that authorize the Board of Directors to allocate or issue shares. The Board of Directors shall prepare suggestions for share allotment or issue, which are subject to approval by the Shareholders at the general meeting in the form of a special resolution. Any such allotment or issue shall be in accordance with the procedures stipulated in appropriate laws, administrative regulations and supervision rules of shares listed region.

(2) Power to dispose assets of our Company or any subsidiary

The Board of Directors shall determine the authority for external investments, purchase and sale of assets, mortgages, external guarantee, entrustment of financial services, material transactions and connected transactions, and establish stringent procedures for review and decision-making. Major investment projects shall be assessed by experts and professionals and reported to the general meeting for approval.

(3) Emoluments and compensation or payments for loss of office

The appointment and removal of members of the Board and their remuneration and payment methods shall be passed by way of an ordinary resolution at the general meeting.

(4) Loans to Directors

There is no provision in the Articles of Association regarding the provision of loans to directors.

(5) Provide financial assistance for acquiring the shares of the Company

The Company or its subsidiaries (including its subsidiaries) shall not provide any financial assistance in the form of gifts, advances, guarantees, compensations or loans to persons who purchase or intend to purchase shares of the Company.

(6) Disclosure of interests in contracts with the Company

A Director shall not enter into a contract or enter into transactions with the Company in violation of the provisions of the Articles of Association or without the consent of the general meeting.

(7) Appointment, resignation and dismissal

The Company has established a Board of Directors, which is responsible for the general meeting. The Board of Directors consists of 13 directors, including one chairman, among which, the number of independent non-executive Directors shall not be less than three and shall account for more than one-third of the total number of the Board.

Directors shall be elected or replaced by a general meeting and may have their office terminated by a general meeting prior to the expiration of their term of office. Directors are appointed for a term of three years, subject to re-election upon expiry of the term.

A Director's term of office shall commence from the date when he/she takes office and end upon expiry of the term of the current session of the Board of Directors. Where a Director is not re-elected in a timely manner upon the expiration of his/her term of office, or the resignation of a Director during the term of office results in the number of members of the Board of Directors being less than the quorum, the original Director shall still comply with the laws, administrative regulations, departmental rules, listing rules of the stock exchange(s) where the Company's shares are listed and the Articles of Association to perform his/her duties before the re-elected directors take office

The Directors of the Company are natural persons. None of the following persons shall serve as our Director:

i. A person who has no civil capacity or has limited civil capacity;

ii. A person who has been imposed penalty for the offense of corruption, bribery, embezzlement, larceny, or disrupting the socialist market economic order and is within five years of the expiry date of punishment or has been deprived of political rights because of this conviction and is within five years of the expiry date of the sentence;

iii. A person who is a former director, factory manager or manager of a company or enterprise that is bankrupt and liquidated, was personally liable for the bankruptcy of such company or enterprise, and is within three years of the date of completion of bankruptcy and liquidation of such company or enterprise;

iv. A person who has served as the legal representative of a company or enterprise whose business license was revoked or was ordered to close due to violation of laws, was personally liable, and is within three years of the date on which the business license of such company or enterprise was revoked;

v. A person who has a relatively large sum of debt, which was not paid at maturity;

vi. A person who is subject to the China Securities Regulatory Commission's punishment which prohibited him/her from entering into the securities market for a period which has not yet expired;

vii. Other matters stipulated by laws, administrative regulations or departmental rules, listing rules of the stock exchange(s) where the Company's shares are listed or regarding to regulatory agencies.

For any election and appointment of a director in contravention of the provisions of the preceding paragraphs, such election, appointment or employment shall be void and null. Where a director falls into any of the circumstances stipulated in the preceding paragraphs in his/her term of office, the director shall be removed from office.

(8) Borrowing rights

The Articles of Association do not contain any specific provision regarding the manner in which the Directors may exercise the right to borrow money. The Board of Directors shall be entitled to develop proposals for our Company to issue bonds and to list its Shares, which must be approved by Shareholders in the form of special resolutions at the general meeting.

2. MODIFICATION OF THE ARTICLES OF ASSOCIATION

Our Company may amend the Articles of Association based on the provisions of the laws, administrative regulations and Articles of Association.

Where the amendments to the Articles of Association passed by the general meetings need the examination and approval of the competent authorities, these amendments shall be submitted hereto for approval. Where the amendments to the Articles of Association involve matters registered by the Company, it shall be necessary to carry out the lawfully prescribed procedures for registration change.

3. MODIFICATION OF RIGHTS OF EXISTING SHARES OR CLASSES OF SHARES

There are no provisions for modification of rights in respect of existing shares or classes of shares in the Articles of Association.

4. SPECIAL RESOLUTION TO BE PASSED BY A MAJORITY OF SHAREHOLDERS

Resolutions of general meetings are divided into ordinary resolutions and special resolutions.

An ordinary resolution at a general meeting shall be passed by more than half of the voting rights held by the Shareholders (including proxies) present at the general meeting.

A special resolution at a general meeting shall be passed by more than two-thirds of the voting rights held by the Shareholders (including proxies) present at the general meeting.

5. VOTING RIGHTS

When shareholders (including proxies) vote at the general meeting, they exercise their voting rights based on the number of voting shares they represent, and each share has one voting right. However, the shares of the Company held by companies do not have voting rights, and such shares shall not be counted in the total number of shares with voting rights present at the general meeting.

Where any shareholder is, under applicable law and regulations and the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for (or only against) any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

The voting at the general shall be taken by way of registered poll or other methods as permitted under the Listing Rules. The voting right of the same shares shall be exercised only either by on-site voting or other means of voting. In case of multiple voting by the same shares, only the first vote will be deemed as valid.

Shareholders present at the general meeting shall express their opinions on the resolutions put forward for voting in one of the following options: for, against, or abstain. Ballot papers that are left in blank, unduly completed or illegible or that have not been used are deemed as abstained from voting by the voters, and the voting results corresponding to the shares in their possession shall be treated as "Abstain".

6. RULES ON ANNUAL GENERAL MEETINGS

A general meeting shall either be an annual general meeting or an extraordinary general meeting. Annual general meetings are held once every year within six months from the end of the preceding financial year

7. FINANCE AND AUDIT

(1) Financial and accounting policies

The Company shall establish its financial and accounting system in accordance with the laws, regulations and PRC accounting standards formulated by the finance regulatory department of the State Council. At the end of each fiscal year, the Company shall prepare a financial report which shall be audited by an accounting firm in the manner prescribed by law.

The Board of Directors of the Company shall place before the Shareholders at every annual general meeting such financial reports as are required by the laws, regulations or directives promulgated by local governments and competent authorities to be prepared by the Company.

The Company shall not keep accounts other than those provided by law. Any assets of the Company shall not be kept under any account opened in the name of any individual.

(2) Appointment and Dismissal of Accountants

The Company shall engage an accounting firm that meets the relevant national regulations and the regulatory requirements of the place where the Company's shares are listed to audit the Company's annual financial report, conduct accounting statement audit, net asset verification and other related consulting services, and the term of service shall be one year, which is renewable upon expiry of the term.

Before the convening of the general meeting, the Board of Directors may fill any casual vacancy in the office of the accounting firm but while there is still any such vacancy, the surviving or continuing firm, if any, may act.

In addition to the above, the Company must decide on the appointment of an accounting firm at the general meeting. Shareholders may change accounting firms by passing an ordinary resolution at a general meeting.

Prior to the removal or the non-reappointment of an accounting firm, notice of such removal or non-reappointment shall be given to the firm concerned 15 days in advance and such firm shall be entitled to make representation at the general meeting when voting on the dismissal of such firm at the general meeting. Where the accounting firm resigns from its post, it shall make clear to the general meeting whether there has been any impropriety on the part of the Company.

8. NOTICE OF MEETING AND MATTERS DISCUSSED

Extraordinary general meeting shall be convened when necessary. The Board of Directors shall convene an extraordinary general meeting within two months of the occurrence of any one of the followings:

(1) where the number of Directors is less than the number stipulated in the Company Law of the PRC or two-thirds of the number specified in the Articles of Association;

(2) where the unrecovered losses of the Company amount to one-third of its total paid-in share capital;

(3) where shareholders who individually or jointly hold 10% or more of the voting shares of the Company (excluding voting proxy rights) request in writing;

(4) whenever the Board of Directors deems necessary or the board of supervisors so requests;

(5) other circumstances stipulated by laws, administrative regulations, departmental rules, the listing rules of the exchange where the Company's shares are listed or the Articles of Association.

When the Company convenes a general meeting, the Board of Directors, the Board of Supervisors and Shareholders who individually or collectively hold more than 3% of the total voting shares of the Company shall have the right to put forward proposals in writing to the Company.

Shareholders who individually or collectively hold more than 3% of the shares of the Company may put forward a new proposal in writing to the Company 10 days before the convening of the general meeting and submit it to the convener. The convener of the general meeting shall issue a supplemental notice of the general meeting within 2 days after receiving the proposal to announce the contents of the interim proposal.

Except for above-mentioned circumstances, the convener shall not amend the proposals specified in the notice of the general meeting or add new proposals after the notice of the general meeting has been issued.

When the Company convenes an annual general meeting, the convener shall notify the Shareholders of the time, place and matters to be considered by way of a written announcement 21 days before the meeting. The extraordinary general meeting shall be notified to all Shareholders by announcement 15 days before the meeting.

The notice of a general meeting shall include the following:

(1) the time, place and date of the meeting;

(2) matters and proposals submitted to the meeting for consideration;

(3) a clear text stating that all shareholders are entitled to attend the general meeting and may appoint a proxy in writing to attend and vote at the meeting. Such proxy need not be a shareholder of the Company;

(4) the shareholding registration date of shareholders entitled to attend the general meeting;

(5) the name and phone number of the permanent contact person for the conference;

(6) voting time and voting procedures.

The following matters shall be passed as ordinary resolutions at a general meeting:

(1) working reports of the Board of Directors and Board of Supervisors;

(2) profit distribution proposals and plans for making up losses formulated by the Board of Directors;

(3) appointment and removal of members of the Board of Directors and the Board of Supervisors (excluding employee representative supervisors) and their remuneration and payment methods;

(4) annual financial budgets, final accounts, balance sheets, profit and loss accounts and other financial statements of the Company;

(5) other matters except for those required by laws, administrative regulations or the articles of association to be passed by special resolutions.

The following matters shall be passed by a special resolution at the general meeting:

(1) increase or reduction of the Company's registered capital and issuance of shares of any class, warrants and other similar securities;

(2) issuance of debentures of the Company;

(3) division, spin-off, merger, dissolution, liquidation or change of corporate form of the Company;

(4) amendments to the Articles of Association;

(5) acquisition or disposal of major assets or provision of guarantee with the amount exceeding 30% of the Company's latest audited total assets within a year;

(6) share incentives and employee stock ownership schemes;

(7) other matters required by laws and regulations, the securities regulatory rules of the place where the Company's shares are listed or the Articles of Association, and other matters determined by an ordinary resolution of the general meeting to have a significant impact on the company and need to be passed by special resolution.

If the resolutions of the general meeting and the Board of Directors of the Company violate the laws and administrative regulations, the Shareholders have the right to request the court to rule that such resolutions are invalid.

If the convening procedures and voting methods of the general meeting and the meeting of the Board of Directors violate the laws, administrative regulations or the Articles of Association, or the content of the resolutions violates the Articles of Association, the Shareholders shall have the right to request the court to revoke the resolutions within 60 days from the date when the resolutions are made.

9. SHARE TRANSFER

The shares of the Company held by promoters may not be transferred within one year of the establishment of the Company. The shares of the Company issued prior to the public issuance of shares may not be transferred within one year of the date of the Company's listing on a stock exchange.

The Directors, Supervisors and the senior management of the Company shall report to the Company their shareholdings in the Company and any changes thereof and shall not transfer more than 25% of the total number of shares held by them in the Company each year during their terms of office; they shall not transfer the shares they hold within one year of the date of the Company's listing. The above-mentioned personnel shall not transfer the shares of the Company held by them within half a year after their resignation.

Where relevant requirements of the Securities Regulatory Authorities in the place where the Company's shares are listed have any other provisions on the transfer restrictions of overseas listed shares, such provisions shall prevail.

10. POWER OF THE COMPANY TO REPURCHASE ITS SHARES

The Company shall not repurchase its shares of except under any of the following circumstances:

(1) To reduce the registered capital of the Company;

(2) To merge with another company that holds shares in the Company;

(3) To utilize shares in the employee stock ownership schemes or share incentives;

(4) To acquire the shares upon request by Shareholders who vote against any resolution adopted at the general meeting on the merger or division of the Company;

(5) To use the shares in the conversion of the convertible corporate bonds issued by the Company;

(6) It is necessary for the Company to safeguard the corporate value and the Shareholders' equity;

(7) Other circumstances permitted by laws, administrative regulations and regulatory rules of the place where the Company's shares are listed.

The Company may repurchase its shares through trading in a public and centralized manner or other methods permitted by laws, administrative regulations and the CSRC and the stock exchange where the Company's shares are listed.

Where the Company repurchases its shares under the circumstances set out in items (1) and (2) above, it shall be subject to the adoption of resolution of the general meeting; where the Company acquires its shares under the circumstances set out in items (3), (5) and (6) above, it shall be subject to the adoption of resolution of the Board meeting attended by more than two-thirds of the Directors in accordance with the provisions of the Articles of Association or the authorization of the general meeting.

After the Company acquires its shares, under the circumstance in item (1), such shares shall be canceled within 10 days after the date of acquisition; under the circumstance in item (2) and (4), such shares shall be transferred or canceled within six months; shares of the Company acquired under the circumstance in item (3), (5) and (6) shall not exceed 10% of the total issued shares of the Company, and such shares shall be transferred or canceled in three years.

11. POWER OF A SUBSIDIARY OF THE COMPANY TO OWN SHARES IN THE COMPANY

There are no provisions in the Articles of Association regarding the ownership of the shares in the Company by a subsidiary.

12. DIVIDEND AND OTHER DISTRIBUTION METHODS

The Company may distribute dividends in the following methods (or in both methods):

(1) Cash;

(2) Shares;

(3) Other methods permitted by laws and regulations and regulatory rules of the place where the Company's shares are listed.

The Board of Directors of the Company shall complete the distribution of dividends (or shares) within two months after the general meeting has passed a resolution on the profit distribution plan.

13. SHAREHOLDER PROXIES

Shareholders can attend the general meeting in person or entrust a proxy to attend and vote on their behalf.

Any proxy statement issued by a Shareholder who authorizes a proxy to attend the general meeting on his/her behalf shall include the following details:

(1) the name of the Shareholder and the the name of the proxy;

(2) the number of shares of the Shareholder represented by the proxy;

(3) whether the proxy is authorized to vote;

(4) respective instructions on affirmative, negative or abstention voting on each item for consideration listed in the general meeting agenda;

(5) the issuance date and valid period of the proxy statement;

(6) the signature (or seal) of the Shareholder.

Any proxy statement distributed by the Board of Directors of the Company to Shareholders to appoint proxy shall provide Shareholders with the freedom to instruct the proxy to vote for or against, and give respective instructions for voting for each of the items on the agenda. The proxy statement shall state clearly that if the Shareholders does not give instruction, the proxy may vote as he wishes.

14. CALLS ON SHARES AND FORFEITURE OF SHARES

There are no provisions in the Articles of Association regarding the calls on shares and forfeiture of shares.

15. INSPECTION OF THE REGISTER OF SHAREHOLDERS

The Company establishes the register of Shareholders according to the certificate provided by the securities registration authority. The register of Shareholders is sufficient evidence to prove that the Shareholders hold the Company's shares. Shareholders enjoy rights and assume obligations according to the type and number of shares they hold. Shareholders holding the same type of Shares shall enjoy the same rights and undertake the same obligations.

The original register of Shareholders of the H Shares listed in Hong Kong is kept in Hong Kong and is available for inspection by the Shareholders, but the Company may (if necessary) suspend the registration of Shareholders in accordance with applicable laws and regulations and the securities regulatory rules of the place where the Company's shares are listed.

When the Company convenes a general meeting, distributes dividends, goes into liquidation or is involved in other acts that require the identification of Shareholders, the Board of Directors or the convener of the general meeting shall determine the shareholding registration date and Shareholders whose names appear on the register after the market close on the shareholding registration date are the Shareholders who enjoy the relevant interests.

16. QUORUM FOR MEETINGS AND CLASS MEETINGS

There are no provisions in the Articles of Association regarding the quorum for meetings and class meetings.

17. RIGHTS OF MINORITIES IN RELATION TO FRAUD OR OPPRESSION

If any Director or senior management member violates laws and administrative regulations or the Articles of Association in fulfilling his/her duties, thereby causing any loss to the Company, the shareholder(s) severally or jointly holding 1% or more shares of the Company for more than 180 consecutive days shall have the right to request the Board of Supervisors in writing to institute legal proceedings at the People's Court; if the Board of Supervisors violates laws and administrative regulations or the Articles of Association in fulfilling its duties, thereby causing any loss to the Company, the Shareholders shall have the right to request the Board of Directors in writing to institute legal proceedings at the People's

Court. If the Board of Supervisors or the Board of Directors refuses to institute legal proceedings after receipt of the aforesaid signed written request or fails to institute legal proceedings within 30 days after receipt of the request, or if under urgent circumstances that any delay of legal proceedings may cause irrecoverable damages to the interests of the Company, the Shareholders specified above shall have the right to directly institute legal proceedings at the People's Court in their own names for the interest of the Company. If any other person infringes upon the legitimate rights and interests of the Company, thereby causing any loss to the Company, the Shareholders severally or jointly holding 1% or more shares of the Company for more than 180 consecutive days may institute legal proceedings at the People's Court pursuant to the preceding provisions.

If any Director or senior management member violates the laws and administrative regulations or the Articles of Association, thereby causing any loss to the Shareholders, the Shareholders may institute legal proceedings at the People's Court.

The controlling shareholders, de facto controllers, Directors, Supervisors or senior management member of the Company shall not impair the Company's interests with his/her/its related relations. Those who violates the regulations and causes losses to the Company shall be liable for compensation.

If a Shareholder of the Company abuses the rights of shareholders and causes damage to the Company or other shareholders, he/she shall be liable to compensation in accordance with the laws; where the Shareholder has abused the Company's independent legal person status and Shareholder's limited liability for debt evasion and caused serious damage to the interest of the Company's creditors, he/she shall bear joint liability for the debts of the Company.

The controlling shareholders and de facto controllers of the Company shall bear the fiduciary duty to the Company and public shareholders of the Company. The controlling shareholder shall exercise the rights of the investor in strict accordance with the law. The controlling shareholder shall not damage the legitimate rights and interests of the Company and public shareholders of the Company by means of profit distribution, asset restructuring, outbound investment, capital occupation, loan guarantee, etc., and shall not damage the interests of the Company and public shareholders of the Company by means of its controlling position.

18. PROCEDURES FOR LIQUIDATION

The Company shall be dissolved under any of the following circumstances:

(1) the expiration of the business period as stipulated in the Articles of Association or the occurrence of other grounds for dissolution as stipulated in the Articles of Association;

(2) the general meeting resolves to dissolve the Company;

(3) dissolution is necessary as a result of the merger or division of the Company;

(4) the business license of the Company is revoked, or the Company is ordered to close down, or it is deregistered according to law;

(5) the Company is confronted with serious difficulties in operation and management, and its continued existence may cause material loss to the interests of its shareholders, and the difficulties cannot be resolved through other means, in which case the Shareholders holding 10% or more of the voting rights held by all the Shareholders of the Company may request a People's Court to dissolve the Company.

Where the Company is to be dissolved pursuant to items (1), (2), (4) or (5) above, a liquidation committee shall be established within 15 days from the date when the event of dissolution occurs. The liquidation committee shall be composed of Directors or members determined by way of ordinary resolution at the general meeting. Where the Company fails to form a liquidation committee to liquidate the Company within the prescribed period of time, its creditors may petition the People's Court to appoint the relevant persons to establish a liquidation committee and liquidate the Company.

Within 10 days of the establishment of the liquidation committee, the creditors shall be notified and an announcement shall be published in newspaper within 60 days. Creditors shall file their claims with the liquidation committee within 30 days of receiving the notice, or within 45 days from the publication if any such creditor has not received the notice.

Where the liquidation committee, after identifying the Company's assets and preparing the balance sheet and schedule of assets, discovers that the Company does not have sufficient assets to repay the Company's debts in full, the liquidation committee shall file a bankruptcy petition with the people's court in accordance with the law.

Upon closure of liquidation of our Company, the liquidation committee shall prepare a liquidation report and a statement of income and expenditure and financial account books during the liquidation period, which shall be submitted to the general meeting or the People's Court for confirmation after verification by a Certified Public Accountant in China. The liquidation committee shall, within 30 days from the date of the confirmation of the liquidation report by the general meeting or the People's Court, submit the aforesaid documents to the company registration authority to apply for the deregistration of the Company and announce the termination of the Company.

19. OTHER IMPORTANT PROVISIONS FOR THE COMPANY OR THE SHAREHOLDERS

(1) General Provisions

The Company is a joint stock limited company with perpetual existence and is an independent legal entity.

All the assets of the Company are divided into shares of equal value. The Shareholders are responsible for the Company to the extent of their subscribed shares, and the Company is responsible for the Company's debts with all its assets.

The Articles of Association shall be legally binding on the Company and its Shareholders, Directors, Supervisors and senior officers. All of the above-mentioned personnel may make claims in relation to the Company's matters in accordance with the Articles of Association. Shareholders may bring a lawsuit against the Company in accordance with the Articles of Association; the Company may bring a lawsuit against the Shareholders in accordance with the Articles of Association; the Shareholders may bring a lawsuit against the Shareholders in accordance with the Articles of Association; the Shareholders may bring a lawsuit against the Directors, Supervisors and senior management of the Company in accordance with the Articles of Association.

(2) Capital increase and capital reduction

In accordance with the laws and regulations, listing rules of the place where the Company's shares are listed and the rules of the Articles of Association, the Company may, based on its operating and development needs and the resolution of the general meeting, increase its capital by the following methods:

(i) the public offering of shares;

(ii) the non-public offering of shares;

(iii) distribution of new shares to existing Shareholders;

(iv) converting reserve fund into share capital;

(v) laws and regulations and other methods stipulated by the CSRC.

Upon approval in accordance with the provisions of the Articles of Association, the Company may increase its capital by issuing new shares in accordance with the procedures stipulated in the relevant laws and administrative regulations of the PRC.

The Company may reduce its registered capital. The Company shall reduce its registered capital in accordance with the PRC Company Law and other regulations as well as the procedures stipulated in this Articles of Association.

When the Company increases or reduces its registered capital, it shall register the change with the registration authority of the Company in accordance with the law.

(3) Shareholders

Shareholders of the Company shall enjoy the following rights:

(i) the right to profit distributions and other forms of distributions in proportion to the number of shares held;

(ii) the right to request, convene, preside, attend or appoint proxies to attend general meetings and to exercise the corresponding right to vote in proportion to the number of shares held;

(iii) the right to supervise, make suggestions or raise enquiries in respect of the Company's business operations;

(iv) the right to transfer, give or pledge or otherwise dispose of the shares they held according to the laws, administrative regulations and the Articles of Association;

(v) the right to review the Articles of Association, the register of shareholders, corporate bond stubs, minutes of the general meetings, resolutions of the Board meetings, resolutions of the Board of Supervisors meetings and financial and accounting reports;

(vi) in the event of the termination or liquidation of the Company, the right to participate in the distribution of remaining assets of the Company in accordance with the number of shares held;

(vii) Shareholders who object to resolutions of merger or division made by the general meeting may request the Company to purchase shares held by him/her; and

(viii) other rights provided for by laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association.

Where any Shareholder demands to read the relevant information or obtain any of the above-mentioned materials, he shall submit to the Company written documents proving the class(es) and number of shares he holds. the Company shall provide the relevant information or materials as requested by the Shareholder after verifying the Shareholder's identity. Shareholders should keep the information and materials they have access to confidential.

Shareholders of the Company shall assume the following obligations:

(i) to abide by laws, administrative regulations and the Articles of Association;

(ii) to make capital contributions based on the shares subscribed for by them and the method of acquiring such shares;

(iii) not to return shares unless prescribed otherwise in laws and regulations;

(iv) not to abuse shareholders' rights to infringe upon the interests of the Company or other Shareholders; not to abuse the Company's status as an independent legal entity or the limited liability of Shareholders to harm the interests of the Company's creditors; and

(v) to assume other obligations required by laws, administrative regulations, the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association.

(4) The Board of Directors

The Board of Directors shall exercise the following functions and powers:

(i) to convene general meetings and report to the general meetings;

(ii) to implement resolutions of the general meetings;

(iii) to decide on the Company's business plans and investment plans;

(iv) o formulate the annual financial budgets and final accounts of the Company;

(v) to formulate the Company's profit distribution plans and plans on making up losses;

(vi) to formulate proposals for the increase or reduction of the Company's registered capital, the issuance of bonds or other securities of the Company and listing;

(vii) to formulate plans for the Company's major acquisition, repurchase the Shares of the Company, merger, division, dissolution or change of corporate form of the Company;

(viii) matters such as external investments, purchase and sale of assets, pledge of assets, external guarantee, entrustment of financial management, connected transactions and external donations approved by the general meeting shall be submitted after consideration and approval by the Board of Directors;

(ix) to decide on establishment of internal management organs of the Company;

(x) to decide on the establishment of the special committees of the Board of the Directors, consider and approve the proposals put forward by the special committees of the Board of Directors;

(xi) to decide on the appointment or dismissal of the Company's General Manager, secretary of the Board of Directors and other members of the senior management and decide on matters of their remuneration and rewards and punishments. According to the nomination of the general manager, decide to appoint or dismiss the Company's deputy general manager, financial officer and other senior management, and decide on matters of their remuneration, rewards and punishments;

(xii) to formulate the basic management system of the Company;

(xiii) to formulate proposals to amend the Articles of Association;

(xiv) to manage the Company's disclosures;

(xv) to propose to the general meeting the appointment or replacement of the accounting firm;

(xvi) to listen to the work report of the senior management of the Company and to inspect the work of the senior management;

(xvii) other functions and powers provided for in laws, administrative regulations, department regulations, the securities regulatory rules of the place where the Company's shares are listed or the Articles of Association.

Matters beyond the scope of authorization of the General Meeting shall be submitted to the general meeting for deliberation.

Meetings of the Board of Directors shall be held only if more than one half of the Directors are present.

(5) Independent Non-executive Director

The board of directors consist of 13 directors, of which no less than 3 are independent non-executive Directors and shall represent at least one-third of the members of the Board of Directors. At least one of the Independent Non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise.

(6) Secretary of the Board of Directors

The Company shall have one secretary of the Board of Directors. The Secretary of the Board of Directors is a senior management of the Company.

(7) Board of Supervisors

The Company shall establish a Board of Supervisors. The Board of Supervisors consists of three Supervisors, including one chairman. The chairman of the Board of Supervisors shall be elected by over half of all Supervisors.

The Board of Supervisors shall be composed of two shareholder representative supervisors and one employee representative supervisors. The shareholder representative supervisors shall be elected and dismissed by the general meeting. The employee representative supervisors shall be elected at the employee representatives' meeting, employee meeting or by other means democratically.

The Board of Supervisors shall be accountable to the general meeting, and exercise the following functions and powers:

(i) to examine the Company's financial matters;

(ii) to supervise the performance by the Directors and senior management of their duties to the Company and propose the dismissal of the above-mentioned personnel who violates laws, administrative regulations, the Articles of Association or the resolutions of the general meeting;

(iii) to demand rectification from the Directors and senior management when the acts of such persons are harmful to the Company's interests;

(iv) to review financial information such as financial reports, business reports, and profit distribution plans as proposed by the Board of Directors to the general meetings, and to engage Certified Public Accountants and practising auditors to assist with further examination in the name of the Company if there are any queries;

(v) to propose the convening of extraordinary general meetings; to convene and preside the general meetings in the event that the Board of Directors fails to perform its duties to convene and preside the general meetings in accordance with the PRC Company Law;

(vi) to submit proposals to the general meetings;

(vii) to institute legal proceedings against Directors and senior management in accordance with relevant regulations of the PRC Company Law;

(viii) to propose the convening of an extraordinary meeting of the Board of Directors;

(ix) to conduct investigation in case of any abnormality found in the operation of the Company; and if necessary, to engage professional parties such as accounting firm or law firm to assist in its work at the expense of the Company;

(x) to elect and replace the chairman of the Board of Supervisors;

(xi) other functions and powers provided for in laws, administrative regulations, the listing rules of the stock exchange where the Company's shares are listed and the Articles of Association.

The Supervisors may attend the meetings of the Board of Directors, query or provide suggestions on the resolution matters of the Board meeting.

(8) General Manager

The Company has one General Manager, appointed or dismissed by the Board of Directors.

The General Manager shall be accountable to the Board of Directors and exercise the following functions and powers:

(i) to be in charge of the production, operation and management of the Company, to organize the implementation of the resolutions of the Board of Directors, and to report his/her works to the Board of Directors;

(ii) to organize the implementation of the Company's annual business plans and investment plans;

(iii) to draft plans for the establishment of the Company's internal management organization;

(iv) to formulate the Company's basic management system;

(v) to formulate the specific rules and regulations of the Company;

(vi) To propose to the Board of Directors to hire or dismiss other senior management personnel in accordance with the Articles of Association and the relevant internal control system of the Company;

(vii) To hire or dismiss responsible management personnel and general employees other than those to be hired or dismissed by the Board of Directors in accordance with the Articles of Association and the relevant internal control system of the Company;

(viii) to propose the convening of an extraordinary meeting of the Board of Directors;

(ix) to determine other matters of the Company within the scope of authority of the Board of Directors;

(x) to determine matters such as external investments, purchase and sale of assets, pledge of assets, external guarantee, entrustment of financial management, connected transactions and external donations not determined by the Board of Directors;

(xi) Other functions and powers granted by the Articles of Association and the Board of Directors.

Other senior management personnel other than the General Manager assist the General Manager in his work and may exercise part of the functions and powers of the General Manager under the entrustment of the General Manager.

(9) Reserve fund

In distributing its current-year after-tax profits, the Company shall allocate 10% of its profit to its statutory reserve fund. Allocations to the Company's statutory reserve fund may be waived once the cumulative amount of funds therein exceeds 50% of the Company's registered capital.

Where the statutory reserve fund of the Company is not sufficient to cover any loss in the previous year, the current year's profit shall be used to cover such loss before any allocation is made to the statutory reserve fund pursuant to the preceding provisions.

After allocation to the statutory reserve fund has been made from the after-tax profit of the Company, and subject to the resolution adopted at the general meeting, an allocation may be made to the discretionary reserve fund from the after-tax profit.

After the Company has covered its losses and made allocations to the reserve funds, the Company shall allocate any remaining profit to the shareholders in proportion to their respective shareholdings unless otherwise stipulated in the Articles of Association.

Where the general meeting or the Board of Directors, in violation of the preceding paragraph, distributes profits to the Shareholders before covering Company's losses and making an allocation to the Company statutory reserve fund, the profits so distributed must be returned to the Company. Profits shall not be distributed to Shares held by the Company itself.

The Company's reserve funds shall be used to cover Company's losses, expand the Company's production and operations, or converted to increase the Company's capital to the extent permitted by relevant national laws and regulations. However, the capital reserve must not be used to cover Company's losses.

After converting statutory reserve funds into capital, the amount remaining in the statutory reserve fund shall be no less than 25% of the Company's registered capital before the conversion.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Establishment of Our Company

Our Company was established as a sino-foreign joint venture in the PRC on December 29, 2003, and was converted to a joint stock limited company under the laws of the PRC on June 21, 2023.

As of the date of this Listing Document, our Company's registered office is located at 1 Industrial North Road, Songshan Lake Park, Dongguan City, Guangdong Province, the PRC. Our Company has established a principal place of business in Hong Kong at 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong and has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on March 21, 2024. Mr. Cheng Ching Kit (鄭程傑), our company secretary, has been appointed as the authorized representative of our Company for the acceptance of service of process in Hong Kong, whose correspondence address is 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong.

As our Company was established in the PRC, our corporate structure and Articles are subject to the relevant laws and regulations of the PRC. A summary of the relevant provisions of our Articles is set out in "Appendix V — Summary of the Articles of Association." A summary of certain relevant aspects of the laws and regulations of the PRC is set out in "Appendix IV — Summary of Legal and Regulatory Provisions."

2. Changes in Share Capital of Our Company

On December 29, 2003, our Company was established with a registered capital of US$20 million. Upon completion of the Introduction and Privatization, our Company's registered capital will be increased to RMB576,656,047 comprising 112,712,832 H Shares of RMB1.00 each and 463,943,215 Domestic Shares of RMB1.00 each, fully paid up or credited as fully paid up, representing approximately 19.55% and 80.45% of our registered capital, respectively.

Save as disclosed above, there has been no alteration in the share capital of our Company during the two years immediately preceding the date of this Listing Document.

3. Shareholders' Resolutions

In accordance with the Shareholders' resolutions of our Company dated December 11, 2024, among other things, the following resolutions were passed by the Shareholders:

(a) subject to satisfaction of various conditions in relation to the Introduction and the Privatization, the issue by our Company of H Shares of nominal value of RMB1.00 each as consideration for the cancelation of the Share Exchange HEC CJ Pharm H Shares and such H Shares being listed on the Stock Exchange;

(b) authorization of the Board and its authorized persons to handle all matters relating to, among other things, the Introduction, the Privatization, and the issue and Listing of the H Shares; and

(c) subject to the completion of the Introduction and the Privatization, the Articles effective on the Listing Date has been adopted, and the Board has been authorized to amend the Articles in accordance with relevant laws and regulations and upon the request from the Stock Exchange and relevant PRC regulatory authorities.

4. Subsidiaries of Our Company and Changes in Share Capital of Our Subsidiaries

The list of our principal subsidiaries is set out in Note 14 to the Accountants' Report, the text of which is set out in Appendix I to this Listing Document.

In addition to the alterations described in the sections headed "History, Development and Corporate Structure", the following sets out the changes in the share capital of our Company's subsidiaries during the two years immediately preceding the date of this Listing Document.

HEC CJ Pharm is a company established in the PRC, whose H shares are listed on the Stock Exchange before completion of the Privatization. Therefore, HEC CJ Pharm H Shares have been traded publicly during the two years preceding the date of this Listing Document.

PT Hec Pharm Indonesia is a company incorporated in Indonesia. On April 22, 2024, the registered capital of PT Hec Pharm Indonesia increased from Rp3,000,000,000 to Rp10,070,707,000 by way of capital contribution of Rp9,969,999,930 by Hong Kong HEC and Rp100,707,070 by Zhong Kai Xie.

Save as disclosed above, there has been no alteration in the share capital of any of our subsidiaries during the two years immediately preceding the date of this Listing Document.

5. Restriction on Share Repurchase

Please refer to the section headed "Appendix IV — Summary of Legal and Regulatory Provisions — Repurchase of Shares" in this Listing Document for details of the restrictions on the share repurchase by our Company.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by us or any of our subsidiaries within the two years preceding the date of this Listing Document that are or may be material:

(a) the Merger Agreement;

(b) a supplemental agreement to shareholders' agreement dated December 11, 2024 entered into among our Company, Ms. Guo, Mr. Zhang, Dongguan HEC Pharmaceutical, Dongguan HEC Generic Drug, Dongguan HEC Biopharmaceutical, Dongguan HEC Medicine, US HEC, Germany HEC, Hong Kong HEC, Yichang HEC Research, Shenzhen HEC Industrial, Guangdong HEC Technology, Yidu Shuaixinwei, Yidu Junjiafang, Yidu Yingwenfang, Yidu Fangwenwen, Dongyang Guangsheng Enterprise Management Partnership (L.P.)* (東陽光盛企業管理合夥企業(有限合夥)), Guangdong Advanced Manufacturing Industry Investment Fund Partnership (L.P.)* (廣東先進製造產業投資基金合夥企業(有限合夥)), China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司), Jiaxing Xingsheng Dongyan Investment Partnership (L.P.)* (嘉興興晟東研投資合夥企業(有限合夥)), China Orient Asset Management Co., Ltd.* (中國東方資產管理股份有限公司), Jiaxing Jiayu Equity Investment Partnership (L.P.)* (嘉興嘉鈺股權投資合夥企業(有限合夥)), CCB Financial Asset Investment Co., Ltd. (建信金融資產投資有限公司), Zhuhai Kangyang Management Consulting Partnership (L.P.)* (珠海康陽管理諮詢合夥企業(有限合夥)), Yuan Zhimin, Dongguan Songshan Lake Science City Investment Co., Ltd.* (東莞松山湖科學城投資有限公司), Gongqingcheng Jianyi Investment Partnership (L.P.)* (共青城漸益投資合夥企業(有限合夥)), Huzhou Rongrui Equity Investment Partnership (L.P.)* (湖州融睿股權投資合夥企業(有限合夥)), Zhuhai Kangpu Equity Investment Partnership (L.P.)* (珠海康普股權投資合夥企業(有限合夥)), Wenzhou Zhenrui Equity Investment Partnership (L.P.)* (溫州臻瑞股權投資合夥企業(有限合夥)), Suzhou CICC SAIC Emerging Industry Equity Investment Fund Partnership (L.P.)* (蘇州中金上汽新興產業股權投資基金合夥企業(有限合夥)), Shenzhen Xinshi Xinxing Industry M&A Equity Investment Fund Partnership (L.P.)* (深圳信石信興產業併購股權投資基金合夥企業(有限合夥)), Dongguan Guanzhiguang Equity Investment Partnership (L.P.)* (東莞市莞之光股權投資合夥企業(有限合夥)), Dongguan Science and Technology Innovation Financial Group Co., Ltd.* (東莞科技創新金融集團有限公司), Dongguan Biotechnology Industry Investment Co., Ltd.* (東莞市生技產業投資有限公司), Ningbo Daxie

Hansheng Enterprise Management Co., Ltd.* (寧波大榭漢勝企業管理有限公司), Guangdong Shunyin Industrial Finance Investment Co., Ltd.* (廣東順銀產融投資有限公司), Yidu Guotong Investment and Development Co., Ltd.* (宜都市國通投資開發有限責任公司), Shaoguan Qianhai Xizheng Industry Development Fund Enterprise (L.P.)* (韶關前海熙正產業發展基金企業(有限合夥)), Shenzhen Dicheng Investment Center (L.P.)* (深圳市帝成投資中心(有限合夥)), Shenzhen Qinzhi Kanghong Venture Capital Partnership (L.P.)* (深圳勤智康宏創業投資合夥企業(有限合夥)), Wuhan Mige Investment Management Partnership (L.P.)* (武漢米格投資管理合夥企業(有限合夥)), Guangzhou Yuanshi No. 1 Venture Capital Partnership (L.P.)* (廣州源石壹號創業投資合夥企業(有限合夥)), Jiaxing Xingsheng Guangchuang Investment Partnership (L.P.)* (嘉興興晟廣創投資合夥企業(有限合夥)), Zhuji Wolun Jingfu Equity Investment Partnership (L.P.)* (諸暨沃侖景富股權投資合夥企業(有限合夥)), Zhuhai Hengqin Cuiheng New Era Industrial Investment Fund (L.P.)* (珠海橫琴翠亨新時代產業投資基金(有限合夥)), Shenzhen Wenzheng Changxing Venture Capital Enterprise (L.P.)* (深圳市穩正長興創業投資企業(有限合夥)), Hunan Xingxiang Jiacheng Private Equity Investment Fund Partnership (L.P.)* (湖南興湘佳誠私募股權投資基金合夥企業(有限合夥)), Zaozhuang Changsheng Yingkang Equity Investment Management Partnership (L.P.)* (棗莊常勝英康股權投資管理合夥企業(有限合夥)), Ruyuan Yao Autonomous County Yinyuan Electric Power Group Co., Ltd.* (乳源瑤族自治縣銀源電力集團有限公司), Guiyang SME Development Fund (L.P.)* (貴陽中小企業發展基金(有限合夥)), Shenzhen Jiahui Chuanglong Investment Enterprise (L.P.)* (深圳市佳匯創隆投資企業(有限合夥)), Jiaxing Aomin Equity Investment Partnership (L.P.)* (嘉興傲旻股權投資合夥企業(有限合夥)), Jiaxing Ximian Equity Investment Partnership (L.P.)* (嘉興西緬股權投資合夥企業(有限合夥)), Hangzhou Zhonghe Guoxin No. 1 Equity Investment Fund Partnership (L.P.)* (杭州中合國信壹號股權投資基金合夥企業(有限合夥)), Pingxiang Junyuan Tongchuang Enterprise Management Center (L.P.)* (萍鄉市君源同創企業管理中心(有限合夥)) and Guangzhou Xinquanxin Investment Partnership (L.P.)* (廣州新泉信投資合夥企業(有限合夥)), pursuant to which shareholders' rights were agreed among the aforementioned parties;

(c) the share transfer agreement dated March 8, 2024 entered into between our Company and Hong Kong HEC in relation to the transfer of approximately 25.71% equity interest in HEC CJ Pharm held by Hong Kong HEC to our Company for a consideration of HK$2,067,468,000;

(d) the Non-Competition Agreement; and

(e) a sponsor agreement relating to the Listing dated June 27, 2025 entered into between our Company and the Sole Sponsor relating to the engagement of the Sole Sponsor by the Company in connection with the Introduction.

2. Our Intellectual Property Rights

(a) Trademarks

As of December 31, 2024, we had registered the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Registered Owner	Registration No.	Class	Expiry Date	Place of Registration
1 . . .	HEC	HEC CJ Pharm	13913352	5	September 6, 2035	PRC
2 . . .	HEC	HEC CJ Pharm	13439381	5	June 20, 2026[Note]	PRC
3 . . .	HEC	HEC CJ Pharm	5736027	5	November 27, 2027	United States
4 . . .	HEC	HEC CJ Pharm	1389645	5	November 27, 2027	European Union
5 . . .	HEC	HEC CJ Pharm	1389645	5	November 27, 2027	Japan
6 . . .	HEC	HEC CJ Pharm	1426748A	35	June 22, 2028	Japan
7 . . .	HEC	HEC CJ Pharm	303517786	5	August 25, 2035	Hong Kong
8 . . .	HEC	HEC CJ Pharm	303517786	10	August 25, 2035	Hong Kong
9 . . .	HEC	HEC CJ Pharm	303517786	35	August 25, 2035	Hong Kong
10. . .	HEC	HEC CJ Pharm	303517786	44	August 25, 2035	Hong Kong
11. . .	HEC	HEC CJ Pharm	1600622	5	January 13, 2034	Australia
12. . .	HEC 东陽光	HEC CJ Pharm	304438648	5	February 20, 2028	Hong Kong
13. . .	HEC 东陽光	HEC CJ Pharm	304438648	10	February 20, 2028	Hong Kong
14. . .	东陽光药	HEC CJ Pharm	26725157	5	January 13, 2029	PRC
15. . .	东陽光药	HEC CJ Pharm	41072109	5	July 13, 2030	PRC

Note: Such trademark remains to be validly registered in the PRC as of the Latest Practicable Date. To the best knowledge of the Directors having made all reasonable enquiries, there is no legal impediment to the renewal of the registration of the trademark upon the expiry date, and our Company expects to complete the renewal of such trademark by December 31, 2025.

No.	Trademark	Registered Owner	Registration No.	Class	Expiry Date	Place of Registration
16. . .	东陽光药	HEC CJ Pharm	303517795	5	August 25, 2035	Hong Kong
17. . .	东陽光药	HEC CJ Pharm	303517795	10	August 25, 2035	Hong Kong
18. . .	东陽光药	HEC CJ Pharm	303517795	35	August 25, 2035	Hong Kong
19. . .	东陽光药	HEC CJ Pharm	303517795	44	August 25, 2035	Hong Kong
20. . .	东陽光药	HEC CJ Pharm	10395474	5	May 13, 2035	PRC
21. . .	东陽光药	HEC CJ Pharm	303140180	5	September 17, 2034	Hong Kong
22 . .	HEC 东陽光药	HEC CJ Pharm	306460461	5	January 24, 2034	Hong Kong
23 . .	HEC 东陽光药	HEC CJ Pharm	306460461	10	January 24, 2034	Hong Kong
24 . .	HEC 东陽光药	HEC CJ Pharm	306460461	35	January 24, 2034	Hong Kong
25 . .	HEC 东陽光药	HEC CJ Pharm	306460461	44	January 24, 2034	Hong Kong
26. . .	HEC	HEC CJ Pharm	8587261	5	November 27, 2031	PRC
27. . .	HEC	HEC CJ Pharm	1973755	5	November 6, 2032	PRC
28. . .	HEC	our Company	008476202	5	August 6, 2029	European Union
29. . .	HEC	our Company	1564162	5	June 21, 2033	Australia
30. . .	HEC	HEC CJ Pharm	5674941–2	5	June 6, 2034	Japan
31. . .	HEC	HEC CJ Pharm	301400804	5	August 5, 2029	Hong Kong
32. . .	HEC	HEC CJ Pharm	303517777	10	August 25, 2035	Hong Kong
33. . .	HEC	HEC CJ Pharm	301026783AB	35	January 6, 2028	Hong Kong
34. . .	HEC	HEC CJ Pharm	303517777	44	August 25, 2035	Hong Kong
35. . .	HEC	HEC CJ Pharm	13913382	5	September 6, 2035	PRC
36. . .	HEC	our Company	1600457	5	January 10, 2034	Australia

No.	Trademark	Registered Owner	Registration No.	Class	Expiry Date	Place of Registration
37. . .	HECpharm	our Company	009436726	5	October 11, 2030	European Union
38. . .	HECpharma	our Company	009436908	5	October 11, 2030	European Union
39. . .	东陽光	HEC CJ Pharm	9224300	5	June 13, 2034	PRC
40. . .	东陽光	HEC CJ Pharm	303517768	5	August 25, 2035	Hong Kong
41. . .	东陽光	HEC CJ Pharm	303517768	10	August 25, 2035	Hong Kong
42. . .	东陽光	HEC CJ Pharm	303517768	35	August 25, 2035	Hong Kong
43. . .	东陽光	HEC CJ Pharm	303517768	44	August 25, 2035	Hong Kong
44. . .	东陽光	HEC CJ Pharm	19533206	5	May 20, 2027	PRC
45. . .	東陽光	HEC CJ Pharm	300997138AB	5	November 19, 2027	Hong Kong
46. . .	東陽光	HEC CJ Pharm	301085995AB	10	April 2, 2028	Hong Kong
47. . .	東陽光	HEC CJ Pharm	300997138AD	35	November 19, 2027	Hong Kong
48. . .	东阳光	HEC CJ Pharm	6297959	5	March 20, 2030	PRC
49. . .	东阳光	HEC CJ Pharm	5627469	5	November 13, 2029	PRC
50. . .	可威	HEC CJ Pharm	32275116A	5	April 13, 2029	PRC
51. . .	可威	HEC CJ Pharm	38413960	5	April 13, 2033	PRC
52. . .	可威	HEC CJ Pharm	38413971	44	February 6, 2030	PRC
53. . .	可威	HEC CJ Pharm	38413965	35	August 20, 2030	PRC
54. . .		HEC CJ Pharm	30298899	5	March 20, 2029	PRC
55. . .		HEC CJ Pharm	76694523	44	September 6, 2034	PRC
56. . .	可威	HEC CJ Pharm	30313789	5	June 20, 2029	PRC

No.	Trademark	Registered Owner	Registration No.	Class	Expiry Date	Place of Registration
57 . . .	可威	HEC CJ Pharm	76694499	44	September 6, 2034	PRC
58 . . .	东卫恩	HEC CJ Pharm	34192297	5	June 27, 2029	PRC
59 . . .	东卫卓	our Company	57217261	5	January 13, 2032	PRC
60 . . .	东英贺	HEC CJ Pharm	57200656	5	January 13, 2032	PRC
61 . . .	东泽安	HEC CJ Pharm	53858425	5	September 13, 2031	PRC
62 . . .	宜必甘	HEC CJ Pharm	25548582	5	July 20, 2028	PRC
63 . . .	宜必甘	HEC CJ Pharm	73065911	10	January 20, 2034	PRC
64 . . .	宜必锐 30	HEC CJ Pharm	65274313	5	December 13, 2032	PRC
65 . . .	宜必锐 30	HEC CJ Pharm	75544856	10	April 27, 2034	PRC
66 . . .	宜必锐	HEC CJ Pharm	65289418	5	December 13, 2032	PRC
67 . . .	宜必锐	HEC CJ Pharm	73065919	10	January 20, 2034	PRC
68 . . .	宜必霖 30	HEC CJ Pharm	65283210	5	December 13, 2032	PRC
69 . . .	宜必霖 30	HEC CJ Pharm	75532572	10	April 27, 2034	PRC
70 . . .	宜必霖	HEC CJ Pharm	25546528	5	July 20, 2028	PRC
71 . . .	宜必佳	HEC CJ Pharm	77823893	5	September 20, 2034	PRC
72 . . .	宜必佳	HEC CJ Pharm	77812903	10	September 13, 2034	PRC
73 . . .	宜必达	HEC CJ Pharm	76709645	5	September 6, 2034	PRC
74 . . .	宜必达	HEC CJ Pharm	75542206	10	April 27, 2034	PRC
75 . . .	喜 宁	HEC CJ Pharm	3655940	5	December 6, 2035	PRC
76 . . .	欧美宁	HEC CJ Pharm	3660047	5	December 6, 2035	PRC

No.	Trademark	Registered Owner	Registration No.	Class	Expiry Date	Place of Registration
77. . .	兰其兰	HEC CJ Pharm	4431046	5	March 27, 2028	PRC
78. . .	尔同舒	HEC CJ Pharm	3524604	5	February 13, 2035	PRC
79. . .	阳安妥	HEC CJ Pharm	33323780	5	June 6, 2029	PRC
80. . .	阳之克	HEC CJ Pharm	5003961	5	April 20, 2029	PRC
81. . .	阳健泰	HEC CJ Pharm	34843980	5	July 13, 2029	PRC
82. . .	阳之通	HEC CJ Pharm	5003962	5	April 20, 2029	PRC
83. . .	欣海宁	HEC CJ Pharm	4343785	5	December 27, 2027	PRC
84. . .	乐美奇	HEC CJ Pharm	4393174	5	February 6, 2028	PRC
85. . .	阳安卫	HEC CJ Pharm	33863341	5	June 6, 2029	PRC

As of December 31, 2024, we had applied for the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Applicant	Application Number	Class	Application Date	Place of application
1 . . .		HEC CJ Pharm	76694523	44	September 6, 2024	PRC
2 . . .	可威	HEC CJ Pharm	76694499	44	September 6, 2024	PRC
3 . . .	LANGLARA	Lannett Company, Inc., our Company	98285721	5	November 27, 2023	United States

(b) Patents

As of December 31, 2024, we are the registered owner of the following patents which we consider to be or may be material to our business:

No.	Patent	Patentee	Patent Number	Patent Type	Expiry Date	Place of Registration
1 . . .	Oseltamivir phosphate granule and preparation method thereof	HEC CJ Pharm	ZL200610066995.7	Invention	April 4, 2026	PRC

No.	Patent	Patentee	Patent Number	Patent Type	Expiry Date	Place of Registration
2 . . .	Improved Oseltamivir phosphate solid composition and preparation method thereof	HEC CJ Pharm	ZL201410834212.X	Invention	December 29, 2034	PRC
3 . . .	A kind of purification method for insulin crystals or insulin analog crystals	HEC CJ Pharm	ZL201310455305.7	Invention	September 29, 2033	PRC
4 . . .	Application of arginine in improving expression quantity of fermentation-cultured polypeptide containing arginine-arginine in amino acid sequence and method	HEC CJ Pharm	ZL201310361852.9	Invention	August 19, 2033	PRC
5 . . .	A kind of preparation method of insulin glargine crystals	HEC CJ Pharm	ZL202010231049.3	Invention	March 27, 2040	PRC
6 . . .	A kind of extraction method of insulin glargine precursor protein	HEC CJ Pharm	ZL201310590624.9	Invention	November 20, 2033	PRC
7 . . .	A kind of method for preparing insulin glargine crystals	HEC CJ Pharm	ZL201610271979.5	Invention	April 27, 2036	PRC
8 . . .	A kind of detection method for the biological activity of GLP-1 analogues	HEC CJ Pharm	ZL201810433076.1	Invention	May 8, 2038	PRC
9 . . .	A kind of purification method of recombinant human glucagon like peptide-1 analog	HEC CJ Pharm	ZL202010030696.8	Invention	January 13, 2040	PRC
10 . . .	A kind of purification method for recombinant trypsin	HEC CJ Pharm	ZL201310557286.9	Invention	November 11, 2033	PRC
11 . . .	A kind of high-density fermentation method in Pichia pastoris for insulin precursor protein	HEC CJ Pharm	ZL201610496621.2	Invention	June 27, 2036	PRC
12 . . .	Purification method of gene recombinant insulin precursor	HEC CJ Pharm	ZL200710026682.3	Invention	February 2, 2027	PRC
13 . . .	Method for preparing long-chain fatty diacid monobenzyl ester, and use thereof	Dongguan HEC Biopharmaceutical, our Company	ZL202010241629.0	Invention	March 31, 2040	PRC
14 . . .	A bromophenyl-substituted thiazole dihydropyrimidine	our Company	ZL200880020841.1	Invention	June 18, 2028	PRC
15 . . .	A bromophenyl-substituted thiazole dihydropyrimidine	our Company	USRE44987	Invention	June 18, 2028	United States
16 . . .	A bromophenyl-substituted thiazole dihydropyrimidine	our Company	USRE45004	Invention	June 18, 2028	United States
17 . . .	A bromophenyl-substituted thiazole dihydropyrimidine	our Company	EP2159224	Invention	June 18, 2028	Europe

No.	Patent	Patentee	Patent Number	Patent Type	Expiry Date	Place of Registration
18 . . .	A bromophenyl-substituted thiazole dihydropyrimidine	our Company	EP2514750	Invention	June 18, 2028	Europe
19 . . .	A bromophenyl-substituted thiazole dihydropyrimidine	our Company	JP5361879	Invention	June 18, 2028	Japan
20 . . .	A bromophenyl-substituted thiazole dihydropyrimidine	our Company	JP5970421	Invention	June 18, 2028	Japan
21 . . .	A bromophenyl-substituted thiazole dihydropyrimidine	our Company	KR101173892	Invention	June 18, 2028	South Korea
22 . . .	A bromophenyl-substituted thiazole dihydropyrimidine	our Company	AU2008265397	Invention	June 18, 2028	Australia
23 . . .	A bromophenyl-substituted thiazole dihydropyrimidine	our Company	CA2691056	Invention	June 18, 2028	Canada
24 . . .	Crystalline forms of dihydropyrimidine derivatives	our Company	ZL201310446506.0	Invention	September 26, 2033	PRC
25 . . .	Crystalline forms of dihydropyrimidine derivatives	our Company	ZL201510364423.6	Invention	September 26, 2033	PRC
26 . . .	Crystalline forms of dihydropyrimidine derivatives	our Company	HK1207081	Invention	September 27, 2033	Hong Kong
27 . . .	Crystalline forms of dihydropyrimidine derivatives	our Company	US9403814	Invention	September 27, 2033	United States
28 . . .	Crystalline forms of dihydropyrimidine derivatives	our Company	EP2900664	Invention	September 27, 2033	Europe
29 . . .	Crystalline forms of dihydropyrimidine derivatives	our Company	JP6310923	Invention	September 27, 2033	Japan
30 . . .	Crystalline forms of dihydropyrimidine derivatives	our Company	AU2013324779	Invention	September 27, 2033	Australia
31 . . .	Crystalline forms of dihydropyrimidine derivatives	our Company	CA2881260	Invention	September 27, 2033	Canada
32 . . .	Processes for preparing dihydropyrimidine derivatives and intermediates thereof	our Company	ZL201410719822.5	Invention	November 27, 2034	PRC
33 . . .	Processes for preparing dihydropyrimidine derivatives and intermediates thereof	our Company	ZL201410709503.6	Invention	November 27, 2034	PRC
34 . . .	Processes for preparing dihydropyrimidine derivatives and intermediates thereof	our Company	ZL201410705874.7	Invention	November 27, 2034	PRC
35 . . .	Processes for preparing dihydropyrimidine derivatives and intermediates thereof	our Company	ZL201410705976.9	Invention	November 27, 2034	PRC

No.	Patent	Patentee	Patent Number	Patent Type	Expiry Date	Place of Registration
36 . . .	Processes for preparing dihydropyrimidine derivatives and intermediates thereof	our Company	HK1224287	Invention	November 27, 2034	Hong Kong
37 . . .	Processes for preparing dihydropyrimidine derivatives and intermediates thereof	our Company	US9643962	Invention	November 27, 2034	United States
38 . . .	Processes for preparing dihydropyrimidine derivatives and intermediates thereof	our Company	US9573941	Invention	November 27, 2034	United States
39 . . .	Processes for preparing dihydropyrimidine derivatives and intermediates thereof	our Company	US9617252	Invention	November 27, 2034	United States
40 . . .	Processes for preparing dihydropyrimidine derivatives and intermediates thereof	our Company	EP3074393	Invention	November 27, 2034	Europe
41 . . .	Processes for preparing dihydropyrimidine derivatives and intermediates thereof	our Company	EP3074394	Invention	November 27, 2034	Europe
42 . . .	Processes for preparing dihydropyrimidine derivatives and intermediates thereof	our Company	EP3074392	Invention	November 27, 2034	Europe
43 . . .	Processes for preparing dihydropyrimidine derivatives and intermediates thereof	our Company	JP6382977	Invention	November 27, 2034	Japan
44 . . .	Processes for preparing dihydropyrimidine derivatives and intermediates thereof	our Company	JP6434511	Invention	November 27, 2034	Japan
45 . . .	Processes for preparing dihydropyrimidine derivatives and intermediates thereof	our Company	KR102284944	Invention	November 27, 2034	South Korea
46 . . .	Processes for preparing dihydropyrimidine derivatives and intermediates thereof	our Company	KR102284938	Invention	November 27, 2034	South Korea
47 . . .	Processes for preparing dihydropyrimidine derivatives and intermediates thereof	our Company	AU2014356985	Invention	November 27, 2034	Australia
48 . . .	Processes for preparing dihydropyrimidine derivatives and intermediates thereof	our Company	AU2014356986	Invention	November 27, 2034	Australia
49 . . .	Processes for preparing dihydropyrimidine derivatives and intermediates thereof	our Company	AU2014356984	Invention	November 27, 2034	Australia

No.	Patent	Patentee	Patent Number	Patent Type	Expiry Date	Place of Registration
50 . . .	Processes for preparing dihydropyrimidine derivatives and intermediates thereof	our Company	CA2927373	Invention	November 27, 2034	Canada
51 . . .	Inhibitors of influenza virus replication and uses thereof	our Company	ZL201711361166.6	Invention	December 14, 2037	PRC
52 . . .	Inhibitors of influenza virus replication and uses thereof	our Company	HK40011744	Invention	December 14, 2037	Hong Kong
53 . . .	Inhibitors of influenza virus replication and uses thereof	our Company	US10987354	Invention	December 14, 2037	United States
54 . . .	Inhibitors of influenza virus replication and uses thereof	our Company	EP3555095	Invention	December 14, 2037	Europe
55 . . .	Inhibitors of influenza virus replication and uses thereof	our Company	JP7034162	Invention	December 14, 2037	Japan
56 . . .	Inhibitors of influenza virus replication and uses thereof	our Company	KR102554019	Invention	December 14, 2037	South Korea
57 . . .	Inhibitors of influenza virus replication and uses thereof	our Company	AU2017376541	Invention	December 14, 2037	Australia
58 . . .	Inhibitors of influenza virus replication and uses thereof	our Company	CA3045371	Invention	December 14, 2037	Canada
59 . . .	Bridged ring compounds as hepatitis c virus inhibitors and pharmaceutical applications thereof	HEC CJ Pharm	ZL201310337556.5	Invention	August 5, 2033	PRC
60 . . .	Bridged ring compounds as hepatitis c virus inhibitors and pharmaceutical applications thereof	HEC CJ Pharm	HK1207074	Invention	August 5, 2033	Hong Kong
61 . . .	Bridged ring compounds as hepatitis C virus inhibitors and preparation method thereof	HEC CJ Pharm	ZL201510939448.4	Invention	December 15, 2035	PRC
62 . . .	NS5A inhibitor compositions	HEC CJ Pharm	ZL202011364022.8	Invention	November 27, 2040	PRC
63 . . .	Prodrugs of antiviral nucleoside analogues, and compositions and uses thereof	our Company	ZL201711460836.X	Invention	December 28, 2037	PRC
64 . . .	Dihydropyrimidine compounds and uses thereof in medicine	our Company	ZL201811210586.9	Invention	October 17, 2038	PRC
65 . . .	Dihydropyrimidine compounds and uses thereof in medicine	our Company	US11261190	Invention	December 27, 2038	United States
66 . . .	Dihydropyrimidine compounds and uses thereof in medicine	our Company	JP7202373	Invention	October 17, 2038	Japan
67 . . .	Dihydropyrimidine compounds and uses thereof in medicine	our Company	KR102667040	Invention	October 17, 2038	South Korea

No.	Patent	Patentee	Patent Number	Patent Type	Expiry Date	Place of Registration
68 . . .	Dihydropyrimidine compounds and uses thereof in medicine	our Company	AU2018351400	Invention	October 17, 2038	Australia
69 . . .	Salts of dihydropyrimidine derivatives, complexes and their use in medicine	our Company	ZL202111439336.4	Invention	November 30, 2041	PRC
70 . . .	Compounds as hepatitis C virus inhibitors and pharmaceutical uses thereof	our Company	ZL201610141716.2	Invention	March 11, 2036	PRC
71 . . .	Nitrogenous heterocyclic derivatives and their application in drugs	our Company	ZL201310303212.2	Invention	July 18, 2033	PRC
72 . . .	Nitrogenous heterocyclic derivatives and their application in drugs	our Company	HK1207065	Invention	July 18, 2033	Hong Kong
73 . . .	Nitrogenous heterocyclic derivatives and their application in drugs	our Company	US9434695	Invention	July 18, 2033	United States
74 . . .	Nitrogenous heterocyclic derivatives and their application in drugs	our Company	EP2875001	Invention	July 18, 2033	Europe
75 . . .	Nitrogenous heterocyclic derivatives and their application in drugs	our Company	JP6186434	Invention	July 18, 2033	Japan
76 . . .	Nitrogenous heterocyclic derivatives and their application in drugs	our Company	KR102057877	Invention	July 18, 2033	South Korea
77 . . .	Nitrogenous heterocyclic derivatives and their application in drugs	our Company	AU2013292950	Invention	July 18, 2033	Australia
78 . . .	Nitrogenous heterocyclic derivatives and their application in drugs	our Company	CA2872110	Invention	July 18, 2033	Canada
79 . . .	Salts of 2, 6-dimethylpyrimidone derivatives and uses thereof	our Company	ZL201710591845.6	Invention	July 19, 2037	PRC
80 . . .	Salts of 2, 6-dimethylpyrimidone derivatives and uses thereof	our Company	HK40009059	Invention	July 19, 2037	Hong Kong
81 . . .	Salts of 2, 6-dimethylpyrimidone derivatives and uses thereof	our Company	US10647682	Invention	July 19, 2037	United States
82 . . .	Salts of 2, 6-dimethylpyrimidone derivatives and uses thereof	our Company	EP3490978	Invention	July 19, 2037	Europe
83 . . .	Salts of 2, 6-dimethylpyrimidone derivatives and uses thereof	our Company	JP7030779	Invention	July 19, 2037	Japan
84 . . .	Salts of 2, 6-dimethylpyrimidone derivatives and uses thereof	our Company	KR102455383	Invention	July 19, 2037	South Korea
85 . . .	Salts of 2, 6-dimethylpyrimidone derivatives and uses thereof	our Company	AU2017304779	Invention	July 19, 2037	Australia
86 . . .	Method for preparing pyrimidone compound	our Company	US10851068	Invention	July 3, 2038	United States
87 . . .	Method for preparing pyrimidone compound	our Company	EP3652158	Invention	July 3, 2038	Europe

No.	Patent	Patentee	Patent Number	Patent Type	Expiry Date	Place of Registration
88 . . .	Method for preparing pyrimidone compound	our Company	JP7393325	Invention	July 3, 2038	Japan
89 . . .	Fluorine-substituted indazole compounds and uses thereof	our Company	ZL201810317190.8	Invention	April 10, 2038	PRC
90 . . .	Fluorine-substituted indazole compounds and uses thereof	our Company	HK40015368	Invention	April 10, 2038	Hong Kong
91 . . .	Fluorine-substituted indazole compounds and uses thereof	our Company	US11242335	Invention	July 28, 2038	United States
92 . . .	Fluorine-substituted indazole compounds and uses thereof	our Company	EP3609883	Invention	April 10, 2038	Europe
93 . . .	Fluorine-substituted indazole compounds and uses thereof	our Company	JP7090639	Invention	April 10, 2038	Japan
94 . . .	Fluorine-substituted indazole compounds and uses thereof	our Company	KR102615821	Invention	April 10, 2038	South Korea
95 . . .	Fluorine-substituted indazole compounds and uses thereof	our Company	AU2018252099	Invention	April 10, 2038	Australia
96 . . .	Quinolinone compounds and their usein medicine	our Company	ZL201510557206.9	Invention	September 1, 2035	PRC
97 . . .	Quinolinone compounds and their usein medicine	our Company	US10065928	Invention	September 1, 2035	United States
98 . . .	Quinolinone compounds and their usein medicine	our Company	EP3190104	Invention	September 1, 2035	Europe
99 . . .	Quinolinone compounds and their usein medicine	our Company	JP6506390	Invention	September 1, 2035	Japan
100 . .	Quinolinone compounds and their usein medicine	our Company	AU2015311333	Invention	September 1, 2035	Australia
101 . .	Quinolinone compounds and their usein medicine	our Company	CA2959688	Invention	September 1, 2035	Canada
102 . .	Crystal form of quinolinone compound and application thereof	our Company	ZL202011350952.8	Invention	November 26, 2040	PRC
103 . .	Carboxy substituted (hetero) aromatic ring derivatives and preparation method and uses thereof	our Company	ZL201610786469.1	Invention	August 31, 2036	PRC
104 . .	Carboxy substituted (hetero) aromatic ring derivatives and preparation method and uses thereof	our Company	HK1250982	Invention	August 31, 2036	Hong Kong
105 . .	Carboxy substituted (hetero) aromatic ring derivatives and preparation method and uses thereof	our Company	US10266496	Invention	August 31, 2036	United States
106 . .	Carboxy substituted (hetero) aromatic ring derivatives and preparation method and uses thereof	our Company	EP3344604	Invention	August 31, 2036	Europe

No.	Patent	Patentee	Patent Number	Patent Type	Expiry Date	Place of Registration
107 . .	Carboxy substituted (hetero) aromatic ring derivatives and preparation method and uses thereof	our Company	JP6859323	Invention	August 31, 2036	Japan
108 . .	Carboxy substituted (hetero) aromatic ring derivatives and preparation method and uses thereof	our Company	AU2016316278	Invention	August 31, 2036	Australia
109 . .	Carboxy substituted (hetero) aromatic ring derivatives and preparation method and uses thereof	our Company	KR102635986	Invention	August 31, 2036	South Korea
110 . .	Carboxy substituted (hetero) aromatic ring derivatives and preparation method and uses thereof	our Company	CA2994336	Invention	August 31, 2036	Canada
111 . .	Glucopyranosyl derivatives and their uses in medicine	HEC CJ Pharm	ZL201410505453.X	Invention	September 26, 2034	PRC
112 . .	Glucopyranosyl derivatives and their uses in medicine	our Company	HK1207075	Invention	September 26, 2034	Hong Kong
113 . .	Glucopyranosyl derivatives and their uses in medicine	our Company	EP2895490	Invention	September 26, 2034	Europe
114 . .	Glucopyranosyl derivatives and their uses in medicine	our Company	JP6450769	Invention	September 26, 2034	Japan
115 . .	Glucopyranosyl derivatives and their uses in medicine	our Company	CA2889699	Invention	September 26, 2034	Canada
116 . .	A glucopyranosyl derivative and preparation method and uses thereof	HEC CJ Pharm	ZL201610273956.8	Invention	April 28, 2036	PRC
117 . .	A complex of a glucopyranosyl derivative and preparation method and use thereof	HEC CJ Pharm	ZL201611070532.8	Invention	November 28, 2036	PRC
118 . .	A complex of a glucopyranosyl derivative and preparation method and use thereof	our Company	US10555930	Invention	November 28, 2036	United States
119 . .	A complex of a glucopyranosyl derivative and preparation method and use thereof	our Company	EP3371199	Invention	November 28, 2036	Europe
120 . .	A complex of a glucopyranosyl derivative and preparation method and use thereof	our Company	JP6916180	Invention	November 28, 2036	Japan
121 . .	A complex of a glucopyranosyl derivative and preparation method and use thereof	our Company	AU2016360634	Invention	November 28, 2036	Australia
122 . .	A complex of a glucopyranosyl derivative and preparation method and use thereof	our Company	CA3005920	Invention	November 28, 2036	Canada

No.	Patent	Patentee	Patent Number	Patent Type	Expiry Date	Place of Registration
123 . .	Preparation method for glucopyranosyl derivative and intermediate thereof	HEC CJ Pharm	ZL202080007079.4	Invention	January 8, 2040	PRC
124 . .	Preparation method for glucopyranosyl derivative and intermediate thereof	HEC CJ Pharm	ZL202110770391.5	Invention	July 7, 2041	PRC
125 . .	Nitrogen-containing tricyclic compounds and uses thereof in medicine	our Company	ZL201710653056.0	Invention	August 2, 2037	PRC
126 . .	Nitrogen-containing tricyclic compounds and uses thereof in medicine	our Company	HK40009058	Invention	August 2, 2037	Hong Kong
127 . .	Nitrogen-containing tricyclic compounds and uses thereof in medicine	our Company	US10562910	Invention	February 5, 2036	United States
128 . .	Nitrogen-containing tricyclic compounds and uses thereof in medicine	our Company	EP3494118	Invention	August 2, 2037	Europe
129 . .	Nitrogen-containing tricyclic compounds and uses thereof in medicine	our Company	JP6983225	Invention	August 2, 2037	Japan
130 . .	Nitrogen-containing tricyclic compounds and uses thereof in medicine	our Company	KR102368298	Invention	August 2, 2037	South Korea
131 . .	Nitrogen-containing tricyclic compounds and uses thereof in medicine	our Company	AU2017306605	Invention	August 2, 2037	Australia
132 . .	Nitrogen-containing tricyclic compounds and uses thereof in medicine	our Company	CA3030377	Invention	August 2, 2037	Canada
133 . .	Crystalline form of nitrogen-containing tricyclic compound and use thereof	our Company	ZL202011353365.4	Invention	November 27, 2040	PRC
134 . .	Substituted urea derivatives and pharmaceutical uses thereof	our Company	AU2015291522	Invention	July 16, 2035	Australia
135 . .	Substituted urea derivatives and pharmaceutical uses thereof	our Company	EP3169671	Invention	July 16, 2035	Europe
136 . .	Substituted urea derivatives and pharmaceutical uses thereof	our Company	ZL201510422604.X	Invention	July 16, 2035	PRC

No.	Patent	Patentee	Patent Number	Patent Type	Expiry Date	Place of Registration
137 . .	1-(5-(tert-butyl)isoxazol-3-yl)-3-(4-((phenyl)ethynyl)phenyl) urea derivatives and related compounds as FLT3 inhibitors for treating cancer	our Company	HK1232224	Invention	July 16, 2035	Hong Kong
138 . .	Substituted urea derivatives and pharmaceutical uses thereof	our Company	US10065934	Invention	July 16, 2035	United States
139 . .	Substituted urea derivatives and pharmaceutical uses thereof	our Company	JP6665154	Invention	July 16, 2035	Japan
140 . .	Substituted urea derivatives and pharmaceutical uses thereof	our Company	KR102485100	Invention	July 16, 2035	South Korea
141 . .	Substituted urea derivatives and pharmaceutical uses thereof	our Company	CA2952083	Invention	July 16, 2035	Canada
142 . .	Salt of substituted urea derivative and use thereof in medicine	our Company	ZL201810754363.2	Invention	July 11, 2038	PRC
143 . .	Salt of substituted urea derivative and use thereof in medicine	our Company	HK40025387	Invention	July 11, 2038	Hong Kong
144 . .	Salt of substituted urea derivative and use thereof in medicine	our Company	US11213529	Invention	August 18, 2038	United States
145 . .	Salt of substituted urea derivative and use thereof in medicine	our Company	EP3652172	Invention	July 11, 2038	Europe
146 . .	Salt of substituted urea derivative and use thereof in medicine	our Company	JP7202350	Invention	July 11, 2038	Japan
147 . .	Salt of substituted urea derivative and use thereof in medicine	our Company	KR102566089	Invention	July 11, 2038	South Korea
148 . .	Salt of substituted urea derivative and use thereof in medicine	our Company	AU2018299536	Invention	July 11, 2038	Australia
149 . .	Aminoquinazoline derivatives and their salts and methods of use	our Company	ZL201210455452.X	Invention	November 14, 2032	PRC
150 . .	Aminoquinazoline derivatives and their salts and methods of use	our Company	HK1196609	Invention	November 14, 2032	Hong Kong
151 . .	Aminoquinazoline derivatives and their salts and methods of use	our Company	US9181277	Invention	November 14, 2032	United States
152 . .	Aminoquinazoline derivatives and their salts and methods of use	our Company	EP2780342	Invention	November 14, 2032	Europe
153 . .	Aminoquinazoline derivatives and their salts and methods of use	our Company	JP6126613	Invention	November 14, 2032	Japan
154 . .	Aminoquinazoline derivatives and their salts and methods of use	our Company	KR101965271	Invention	November 14, 2032	South Korea
155 . .	Aminoquinazoline derivatives and their salts and methods of use	our Company	AU2012339499	Invention	November 14, 2032	Australia

No.	Patent	Patentee	Patent Number	Patent Type	Expiry Date	Place of Registration
156 . .	Aminoquinazoline derivatives and their salts and methods of use	our Company	CA2851151	Invention	November 14, 2032	Canada
157 . .	A salt of EGFR inhibitor, crystalline form and uses thereof	our Company	ZL201610911027.5	Invention	October 18, 2036	PRC
158 . .	Di(methanesulfonic acid) salt of (3-chloro-4-fluoro-phenyl)-(6-((4AR,7AS)-3-(hexahydro-(1,4)dioxino(2,3-C) pyrrole-6-yl)-propoxy) -7-methoxy-quinazolin-4-yl)-amine and crystalline form of the monohydrate (an EGFR inhibitor)	our Company	HK1254666	Invention	October 18, 2036	Hong Kong
159 . .	A salt of EGFR inhibitor, crystalline form and uses thereof	our Company	US10308658	Invention	October 18, 2036	United States
160 . .	A salt of EGFR inhibitor, crystalline form and uses thereof	our Company	EP3365344	Invention	October 18, 2036	Europe
161 . .	A salt of EGFR inhibitor, crystalline form and uses thereof	our Company	JP6812426	Invention	October 18, 2036	Japan
162 . .	A salt of EGFR inhibitor, crystalline form and uses thereof	our Company	AU2016343517	Invention	October 18, 2036	Australia
163 . .	A salt of EGFR inhibitor, crystalline form and uses thereof	our Company	CA3001655	Invention	October 18, 2036	Canada
164 . .	A salt of EGFR inhibitor, crystalline form and uses thereof	our Company	KR102627044	Invention	October 18, 2036	South Korea
165 . .	Substituted pyrimidine piperazine compound and use thereof	our Company	ZL201811105783.4	Invention	September 21, 2038	PRC
166 . .	Substituted pyrimidine piperazine compound and use thereof	our Company	HK40027192	Invention	September 21, 2038	Hong Kong
167 . .	Substituted pyrimidine piperazine compound and use thereof	our Company	US11285153	Invention	September 30, 2038	United States
168 . .	Substituted pyrimidine piperazine compound and use thereof	our Company	JP7282082	Invention	September 21, 2038	Japan
169 . .	Substituted pyrimidine piperazine compound and use thereof	our Company	AU2018340376	Invention	September 21, 2038	Australia
170 . .	Substituted pyrimidine piperazine compound and use thereof	our Company	EP3687989	Invention	September 21, 2038	Europe
171 . .	Salt of 2-(substituted pyrimidinyl) thiazolecarboxamide compound, and composition and use thereof	our Company	ZL202110729304.1	Invention	June 29, 2041	PRC
172 . .	Pyridinylmethylenepiperidine derivatives and uses thereof	our Company	ZL201910778613.0	Invention	August 22, 2039	PRC

No.	Patent	Patentee	Patent Number	Patent Type	Expiry Date	Place of Registration
173 . .	Pyridinylmethylenepiperidine derivatives and uses thereof	our Company	JP7405834	Invention	August 22, 2039	Japan
174 . .	Pyridinylmethylenepiperidine derivatives and uses thereof	our Company	US11858910	Invention	February 22, 2041	United States
175 . .	Salts of pyridinylmethylenepiperidine derivatives and uses thereof	our Company	ZL202111682188.9	Invention	December 28, 2041	PRC
176 . .	A kind of amantadine compounds and their preparation method and uses	our Company	US10800734	Invention	May 5, 2037	United States
177 . .	A kind of amantadine compounds and their preparation method and uses	our Company	JP6884800	Invention	May 5, 2037	Japan
178 . .	A kind of crystal form and composition of amantadine compounds and its application	our Company	ZL201780065542.9	Invention	November 2, 2037	PRC
179 . .	A kind of crystal form and composition of amantadine compounds and its application	our Company	US10654797	Invention	November 2, 2037	United States
180 . .	Vilazodone inclusion complexes, compositions and preparation thereof	our Company	US10688090	Invention	November 1, 2037	United States
181 . .	Vilazodone inclusion complexes, compositions and preparation thereof	our Company	US11517569	Invention	November 1, 2037	United States
182 . .	Vilazodone inclusion complexes, compositions and preparation thereof	our Company	US12171761	Invention	November 1, 2037	United States
183 . .	Dual-target fusion proteins comprising the fc portion of an immunoglobulin	our Company	ZL201810207528.4	Invention	March 14, 2038	PRC
184 . .	Dual-target fusion proteins comprising the fc portion of an immunoglobulin	our Company	US12145974	Invention	December 18, 2040	United States
185 . .	Dual-target fusion proteins comprising the fc portion of an immunoglobulin	our Company	EP3596130	Invention	March 14, 2038	Europe
186 . .	Dual-target fusion proteins comprising the fc portion of an immunoglobulin	our Company	JP7181886	Invention	March 14, 2038	Japan
187 . .	FGF21 variant, fusion protein and application thereof	our Company	HK40011458	Invention	January 29, 2039	Hong Kong
188 . .	FGF21 variant, fusion protein and application thereof	our Company	ZL201910095055.8	Invention	January 29, 2039	PRC
189 . .	FGF21 variant, fusion protein and application thereof	our Company	US11679143	Invention	June 18, 2039	United States
190 . .	FGF21 variant, fusion protein and application thereof	our Company	JP7475276	Invention	January 29, 2039	Japan

No.	Patent	Patentee	Patent Number	Patent Type	Expiry Date	Place of Registration
191 . .	FGF21 variant, fusion protein and application thereof	our Company	AU2019218147	Invention	January 29, 2039	Australia
192 . .	FGF21 Fusion proteins and method of inhibiting degradation thereof	Dongguan HEC Biopharmaceutical	ZL201911359029.8	Invention	December 25, 2039	PRC
193 . .	RET inhibitors, pharmaceutical compositions and uses thereof	our Company	ZL201911242865.8	Invention	December 6, 2039	PRC
194 . .	RET inhibitors, pharmaceutical compositions and uses thereof	our Company	JP7457709	Invention	December 6, 2039	Japan
195 . .	A polypeptide molecule and application thereof	our Company	ZL202010143690.1	Invention	March 3, 2040	PRC
196 . .	A process for preparing L-pyroglutamic acid eutectic of glucopyranyl derivative	HEC CJ Pharm	ZL202110337424.7	Invention	March 30, 2041	PRC

As of December 31, 2024, we applied for the following patents which we consider to be or may be material to our business:

No.	Patent	Applicant	Application Number	Patent Type	Application Date	Place of Application
1. . . .	Combined formulation of Morphothiadin and Ritonavir and preparation method thereof	our Company	CN202411894214.8	Invention	December 20, 2024	PRC
2. . . .	Production process of Emitasvir	HEC CJ Pharm	CN202210049347.X	Invention	January 17, 2022	PRC
3. . . .	Crystal form of hepatitis c inhibitor and use therefor in drug	our Company	CN202311004313.X	Invention	August 10, 2023	PRC
4. . . .	A process for preparing a prodrug of antiviral nucleoside analogue	our Company	CN202411887419.3	Invention	December 20, 2024	PRC
5. . . .	Dihydropyrimidine compounds and uses thereof in medicine	our Company	HK62020016631.7	Invention	October 17, 2018	Hong Kong
6. . . .	Dihydropyrimidine compounds and uses thereof in medicine	our Company	EP188686067	Invention	October 17, 2018	Europe
7. . . .	Dihydropyrimidine compounds and uses thereof in medicine	our Company	CA3079557	Invention	October 17, 2018	Canada
8. . . .	Salts of dihydropyrimidine derivatives, complexes and their use in medicine	our Company	US18037105	Invention	November 30, 2021	United States
9. . . .	Salts of dihydropyrimidine derivatives, complexes and their use in medicine	our Company	JP2023532601	Invention	November 30, 2021	Japan
10 . . .	Salts of dihydropyrimidine derivatives, complexes and their use in medicine	our Company	KR20237022107	Invention	November 30, 2021	South Korea

No.	Patent	Applicant	Application Number	Patent Type	Application Date	Place of Application
11 . . .	Salt of HCV inhibitor, crystal form of salt, pharmaceutical composition of salt, and use of salt	our Company	CN202310884448.3	Invention	July 18, 2023	PRC
12 . . .	A process for preparing hepatitis C inhibitor compound and its salts	our Company	CN202411946997.X	Invention	December 27, 2024	PRC
13 . . .	Salts of 2, 6-dimethylpyrimidone derivatives and uses thereof	our Company	CA3031343	Invention	July 19, 2017	Canada
14 . . .	Method for preparing pyrimidone compound	our Company	CN201810720156.5	Invention	July 3, 2018	PRC
15 . . .	Antifibrotic composition	our Company	CN202211227438.4	Invention	October 8, 2022	PRC
16 . . .	Antifibrotic composition	our Company	US18699131	Invention	October 8, 2022	United States
17 . . .	Antifibrotic composition	our Company	EP228779518	Invention	October 8, 2022	Europe
18 . . .	Antifibrotic composition	our Company	JP2024521159	Invention	October 8, 2022	Japan
19 . . .	Fluorine-substituted indazole compounds and uses thereof	our Company	CA3056501	Invention	April 10, 2018	Canada
20 . . .	Crystal form of fluorine-substituted indazole compound and use thereof	our Company	CN202311766023.9	Invention	December 20, 2023	PRC
21 . . .	Crystal form of fluorine-substituted indazole compound and use thereof	our Company	PCT/CN2023/140301	Invention	December 20, 2023	World Intellectual Property Organization
22 . . .	Crystal form of quinolinone compound and use thereof	our Company	US17781114	Invention	November 26, 2020	United States
23 . . .	Crystal form of quinolinone compound and use thereof	our Company	EP208935841	Invention	November 26, 2020	Europe
24 . . .	Crystal form of quinolinone compound and use thereof	our Company	JP2022531553	Invention	November 26, 2020	Japan
25 . . .	Crystal form of quinolinone compound and use thereof	our Company	AU2020390281	Invention	November 26, 2020	Australia
26 . . .	Crystal form of quinolinone compound and use thereof	our Company	CA3156439	Invention	November 26, 2020	Canada
27 . . .	A complex of a glucopyranosyl derivative and preparation method and use thereof	our Company	HK18113647.0	Invention	November 28, 2016	Hong Kong
28 . . .	Method for preparing glucopyranosyl derivatives and intermediates thereof	our Company	HK62023082627.8	Invention	July 7, 2021	Hong Kong
29 . . .	Method for preparing glucopyranosyl derivatives and intermediates thereof	our Company	US18015138	Invention	July 7, 2021	United States
30 . . .	Method for preparing glucopyranosyl derivatives and intermediates thereof	our Company	EP218388148	Invention	July 7, 2021	Europe
31 . . .	Method for preparing glucopyranosyl derivatives and intermediates thereof	our Company	AU2021305132	Invention	July 7, 2021	Australia

No.	Patent	Applicant	Application Number	Patent Type	Application Date	Place of Application
32 . . .	A pharmaceutical composition comprising a glucopyranosyl derivative	HEC CJ Pharm	CN202210090970.X	Invention	January 26, 2022	PRC
33 . . .	A key intermediate for preparing glucopyranosyl derivatives and preparation method thereof	HEC CJ Pharm	CN202310868761.8	Invention	July 14, 2023	PRC
34 . . .	Crystalline form of nitrogen-containing tricyclic compound and use thereof	our Company	HK62023070823.7	Invention	November 27, 2020	Hong Kong
35 . . .	Crystalline form of nitrogen-containing tricyclic compound and use thereof	our Company	US17779452	Invention	November 27, 2020	United States
36 . . .	Crystalline form of nitrogen-containing tricyclic compound and use thereof	our Company	EP208936880	Invention	November 27, 2020	Europe
37 . . .	Crystalline form of nitrogen-containing tricyclic compound and use thereof	our Company	JP2022532103	Invention	November 27, 2020	Japan
38 . . .	Crystalline form of nitrogen-containing tricyclic compound and use thereof	our Company	AU2020390992	Invention	November 27, 2020	Australia
39 . . .	Crystalline form of nitrogen-containing tricyclic compound and use thereof	our Company	CA3159283	Invention	November 27, 2020	Canada
40 . . .	Salt of substituted urea derivative and use thereof in medicine	our Company	CA3069773	Invention	July 11, 2018	Canada
41 . . .	RET inhibitors, pharmaceutical compositions and uses thereof	our Company	HK62022048586.1	Invention	December 6, 2019	Hong Kong
42 . . .	RET inhibitors, pharmaceutical compositions and uses thereof	our Company	US17288328	Invention	December 6, 2019	United States
43 . . .	RET inhibitors, pharmaceutical compositions and uses thereof	our Company	EP198939522	Invention	December 6, 2019	Europe
44 . . .	RET inhibitors, pharmaceutical compositions and uses thereof	our Company	KR20217021076	Invention	December 6, 2019	South Korea
45 . . .	RET inhibitors, pharmaceutical compositions and uses thereof	our Company	AU2019392232	Invention	December 6, 2019	Australia
46 . . .	RET inhibitors, pharmaceutical compositions and uses thereof	our Company	CA3117854	Invention	December 6, 2019	Canada
47 . . .	A process for preparing an aminoquinazoline compound	our Company	CN202210832258.2	Invention	July 14, 2022	PRC
48 . . .	Substituted pyrimidine piperazine compound and use thereof	our Company	CA3077383	Invention	September 21, 2018	Canada
49 . . .	Salt of 2-(substituted pyrimidinyl) thiazolecarboxamide compound, and composition and use thereof	our Company	US18013619	Invention	June 29 2021	United States
50 . . .	Salt of 2-(substituted pyrimidinyl) thiazolecarboxamide compound, and composition and use thereof	our Company	EP218324697	Invention	June 29 2021	Europe

No.	Patent	Applicant	Application Number	Patent Type	Application Date	Place of Application
51 . . .	Preparation method of substituted pyrimidine piperazine compounds	our Company	US18026509	Invention	September 16, 2021	United States
52 . . .	Preparation method of substituted pyrimidine piperazine compounds	our Company	EP218686640	Invention	September 16, 2021	Europe
53 . . .	Pyridinylmethylenepiperidine derivatives and uses thereof	our Company	EP198516189	Invention	August 22, 2019	Europe
54 . . .	Pyridinylmethylenepiperidine derivatives and uses thereof	our Company	AU2019323450	Invention	August 22, 2019	Australia
55 . . .	Pyridinylmethylenepiperidine derivatives and uses thereof	our Company	CA3107145	Invention	August 22, 2019	Canada
56 . . .	Salts of pyridinylmethylenepiperidine derivatives and uses thereof	our Company	US18270351	Invention	December 28, 2021	United States
57 . . .	Salts of pyridinylmethylenepiperidine derivatives and uses thereof	our Company	EP219143567	Invention	December 28, 2021	Europe
58 . . .	A method for preparing pyridinylmethylenepiperidine compound and intermediates thereof	our Company	CN202410845204.9	Invention	June 27, 2024	PRC
59 . . .	A composition of Vilazodone and preparation method thereof	our Company	CN202110207937.6	Invention	February 24, 2021	PRC
60 . . .	Vilazodone inclusion complexes, compositions and preparation thereof	our Company	CN201780065545.2	Invention	November 1, 2017	PRC
61 . . .	Dual-target fusion proteins comprising the fc portion of an immunoglobulin	our Company	HK62020004871.3	Invention	March 14, 2018	Hong Kong
62 . . .	Dual-target fusion proteins comprising the fc portion of an immunoglobulin	our Company	US18805686	Invention	March 14, 2018	United States
63 . . .	Dual-target fusion proteins comprising the fc portion of an immunoglobulin	our Company	EP242049369	Invention	March 14, 2018	Europe
64 . . .	FGF21 variant, fusion protein and application thereof	our Company	CN202210947600.3	Invention	January 29, 2019	PRC
65 . . .	FGF21 variant, fusion protein and application thereof	our Company	EP197513765	Invention	January 29, 2019	Europe
66 . . .	A polypeptide molecule and application thereof	our Company	HK62022051680.6	Invention	March 4, 2020	Hong Kong
67 . . .	A polypeptide molecule and application thereof	our Company	US17418624	Invention	March 4, 2020	United States
68 . . .	A polypeptide molecule and application thereof	our Company	EP207672809	Invention	March 4, 2020	Europe
69 . . .	A polypeptide molecule and application thereof	our Company	JP2021551806	Invention	March 4, 2020	Japan
70 . . .	A polypeptide molecule and application thereof	our Company	KR20217031717	Invention	March 4, 2020	South Korea
71 . . .	A polypeptide molecule and application thereof	our Company	AU2020230668	Invention	March 4, 2020	Australia

No.	Patent	Applicant	Application Number	Patent Type	Application Date	Place of Application
72 . . .	A polypeptide molecule and application thereof	our Company	CA3123325	Invention	March 4, 2020	Canada
73 . . .	GLP-1-Fc-FGF21 dual-target fusion protein composition, injection solution and uses thereof	our Company	PCT/CN2024/100364	Invention	June 20, 2024	World Intellectual Property Organization
74 . . .	GLP-1-Fc-FGF21 dual-target fusion protein composition, injection solution and uses thereof	our Company	CN202410804902.4	Invention	June 20, 2024	PRC

(c) Software Copyrights

As of December 31, 2024, we had registered the following software copyrights that we consider to be or may be material to our business:

No.	Software Name	Copyright Owner	Registration Number	Registration Date	Place of Registration
1. . .	HEC Distribution System V1.0	HEC CJ Pharm	2021SR1507707	October 14, 2021	PRC
2. . .	HEC ATS Electronic Ledger System V1.0	HEC CJ Pharm	2021SR1560430	October 26, 2021	PRC
3. . .	HEC CRM Platform V1.0	HEC CJ Pharm	2021SR1507706	October 14, 2021	PRC

(d) Domain Names

As of December 31, 2024, we had registered the following domain names that we consider to be or may be material to our business:

No.	Domain Names	Owner	Expiry Date	Place of Registration
1. . .	hecpharm.com	our Company	February 2, 2026	PRC
2. . .	hec-changjiang.com	HEC CJ Pharm	March 18, 2026	PRC

Save as disclosed above, as of December 31, 2024, there were no other trade or service marks, patents, intellectual or industrial property rights which were material to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors, Supervisors and Chief Executive

(i) Disclosure of Interests of Our Directors, Supervisors and Chief Executive

Immediately following completion of the Introduction and the Privatization, the interests and short positions of each of our Directors, Supervisors and chief executive in Shares, underlying Shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors and Listed Issuers to be notified to us and the Stock Exchange (for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors) will be as follows:

Interest in our Company

Name	Position	Number and class of Shares to be held after the Introduction and the Privatization(1)	Nature of interest	Approximate percentage of shareholding interests immediately prior to the Introduction and the Privatization	Approximate percentage of shareholding interests immediately following completion of the Introduction and the Privatization
Dr. Zhang Yingjun	Chairman of the Board and executive Director	22,955,784 Domestic Shares	Interest in controlled corporations(1)	4.95%	3.98%
		1,187,383 Domestic Shares	Beneficial owner(2)	0.26%	0.21%
Mr. Zhang	Non-executive Director	288,220,964 Domestic Shares	Interest in controlled corporations(3)	62.12%	49.98%
		5,750,792 H Shares	Interest in controlled corporations(4)	–	1.00%
Dr. Li Wenjia . .	Executive Director and General Manager	850,947 Domestic Shares	Beneficial owner(5)	0.18%	0.15%

Name	Position	Number and class of Shares to be held after the Introduction and the Privatization(1)	Nature of interest	Approximate percentage of shareholding interests immediately prior to the Introduction and the Privatization	Approximate percentage of shareholding interests immediately following completion of the Introduction and the Privatization
Mr. Tang Xinfa. .	Non-executive Director	5,652,977 Domestic Shares	Beneficial owner(6)	1.22%	0.98%
		34,375 H Shares	Beneficial owner(7)	–	0.01%
Mr. Zhu Yingwei	Non-executive Director	4,612,910 Domestic Shares	Beneficial owner(8)	0.99%	0.80%
Dr. Li Jing	Supervisor	395,790 Domestic Shares	Beneficial owner(9)	0.09%	0.07%
Mr. Chen Gang. .	Supervisor	257,263 Domestic Shares	Beneficial owner(10)	0.06%	0.04%

Notes:

(1) Dr. Zhang Yingjun, being the sole general partner, controls Yidu Fangwenwen and Yidu Yingwenfang, both of which are our employee incentive platforms. By virtue of the SFO, Dr. Zhang Yingjun is deemed to be interested in the 11,477,892 Domestic Shares held by Yidu Fangwenwen and the 11,477,892 Domestic Shares held by Yidu Yingwenfang, respectively.

(2) These Shares were granted to Dr. Zhang Yingjun pursuant to the Employee Incentive Scheme.

(3) These Shares include 126,238,500 Domestic Shares held by Yichang HEC Research, 72,733,752 Domestic Shares held by Shenzhen HEC Industrial, 50,989,649 Domestic Shares held by Guangdong HEC Technology, 30,607,250 Domestic Shares held by Yidu Shuaixinwei and 7,651,813 Domestic Shares held by Yidu Junjiafang. As of the Latest Practicable Date, Yichang HEC Research and Guangdong HEC Technology is indirectly controlled by Shenzhen HEC Industrial, and Shenzhen HEC Industrial is in turn indirectly controlled by Mr. Zhang. Mr. Zhang, being the sole general partner, controls Yidu Shuaixinwei and Yidu Junjiafang. By virtue of the SFO, Mr. Zhang is deemed to be interested in the Domestic Shares held by Yichang HEC Research, Shenzhen HEC Industrial, Guangdong HEC Technology, Yidu Shuaixinwei and Yidu Junjiafang. Please refer to the section headed "Substantial Shareholders" for further details.

(4) Upon completion of the Introduction and the Privatization, Guangdong HEC Technology will hold 5,750,792 H Shares. By virtue of the SFO, Mr. Zhang is deemed to be interested in the H Shares held by Guangdong HEC Technology.

(5) These Shares were granted to Dr. Li Wenjia pursuant to the Employee Incentive Scheme.

(6) These Shares were granted to Mr. Tang Xinfa pursuant to the Employee Incentive Scheme.

(7) As of the Latest Practicable Date, Mr. Tang Xinfa holds 130,400 HEC CJ Pharm H Shares, which will be exchanged to approximately 34,375 H Shares pursuant to the Share Exchange Ratio.

(8) These Shares were granted to Mr. Zhu Yingwei pursuant to an employee incentive scheme at our Company's shareholder level.

(9) These Shares were granted to Dr. Li Jing pursuant to the Employee Incentive Scheme.

(10) These Shares were granted to Mr. Chen Gang pursuant to the Employee Incentive Scheme.

Interest in our associated corporation

Name	Position	Name of associated corporation	Nature of interest	Approximate percentage of total issued share capital as of the Latest Practicable Date
Mr. Tang Xinfa	Non-executive Director	HEC CJ Pharm	Beneficial owner	0.015%

(ii) Particulars of service agreements and appointment letters

Our Company has entered into a service agreement or an appointment letter with each of the Directors and Supervisors which contains provisions in relation to, among other things, compliance of relevant laws and regulations and observation of the Articles.

The principal particulars of these service agreements and appointment letters comprise (i) the term of the service; and (ii) subject to termination in accordance with their respective term. The service agreements and appointment letters may be renewed in accordance with our Articles and the applicable rules.

Save as disclosed above, none of the Directors or Supervisors has or is proposed to enter into a service contract with any member of our Group (other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation other than statutory compensation).

(iii) Directors' and Supervisors' remuneration

For remuneration details of all Directors and Supervisors during the Track Record Period, please refer to note 8 to the Accountants' Report as set out in Appendix I to this Listing Document.

During the Track Record Period, no remuneration was paid by us nor receivable by Directors, Supervisors or the five highest paid individuals as an inducement to join or upon joining our Group. During the Track Record Period, no remuneration was paid by us nor receivable by Directors, past Directors, Supervisors, past Supervisors or the five highest paid individuals as compensation for the loss of any office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

During the Track Record Period, none of our Directors or Supervisors has waived or agreed to waive any emoluments. Save as disclosed above, during the Track Record Period, no other amounts shall be paid or payable by us or any of our subsidiaries to the Directors, Supervisors or the five highest paid individuals.

2. Substantial Shareholders

Interest in the Share of our Company

Save as disclosed in the section headed "Substantial Shareholders" in this Listing Document, our Directors are not aware of any other person who will, immediately following the completion of the Introduction and the Privatization, have an interest or a short position in our Shares or underlying Shares of our Company which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

Interest in our Company's subsidiaries

So far as the Directors are aware, immediately following the completion of the Introduction and the Privatization, apart from our Group, the following persons (not being a Director, a Supervisor or a chief executive of our Company) will directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Member of our Group	Person with 10% or more interest	Approximate percentage of the interest in the member of our Group
Germany HEC	Guenther Kinast[Note]	10%
Shanghai Yangzhikang Pharmaceutical Technology Co., Ltd.* (上海陽之康醫藥科技有限公司)	Yidu Binhai Pharmaceutical Technology Co., Ltd.* (宜都彬海醫藥科技有限公司)	11%

Member of our Group	Person with 10% or more interest	Approximate percentage of the interest in the member of our Group
HEC Pharma (Thailand) Co., Ltd.	Sansang Pattana Co., Ltd	25.5%
	Pimnapas Construction Co., Ltd	25.5%

Note: Guenther has passed away and the probate process in relation to his estate (including the equity interest in Germany HEC) is still ongoing as of the Latest Practicable Date to determine the heirs of Guenther.

3. Disclaimers

(i) save as disclosed in this appendix, none of the Directors, Supervisors or chief executive of our Company has any interests and short positions in our Shares, underlying Shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors and Listed Companies to be notified to us and the Stock Exchange, in each case once the H Shares of our Company are listed. For this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors;

(ii) save as disclosed in the section headed "Substantial Shareholders" and this appendix, taking no account of any Shares which may be allotted and issued under the Introduction and the Privatization, so far is known to any Director, Supervisor or chief executive of our Company, no other person (other than a Director, Supervisor or chief executive of our Company) will, immediately following completion of the Introduction, have interests or short positions in our Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or (not being a member of our Group), be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;

(iii) none of the Directors, Supervisors nor any of the parties listed in the paragraph headed "— Qualification of Experts" of this Appendix is interested in our Company's promotion, or in any assets which have, within the two years immediately preceding the issue of this Listing Document, been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(iv) none of the parties listed in the paragraph headed "— Qualification of Experts" of this Appendix (i) is interested legally or beneficially in any of the Shares of our Company or any shares in any of its subsidiaries; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for the securities of any member of our Group;

(v) none of the Directors, Supervisors nor any of the parties listed in the paragraph headed "— Qualification of Experts" of this Appendix is materially interested in any contract or arrangement subsisting at the date of this Listing Document which is significant in relation to the business of our Group;

(vi) none of our Directors, Supervisors, their close associates or any Shareholder of our Company (which to the knowledge of our Directors owns more than 5% of our Company's issued share capital) has any interest in our Group's five largest suppliers or customers for each year during the Track Record Period; and

(vii) save as disclosed in the section headed "Relationship with our Controlling Shareholders — Independence from our Controlling Shareholders — Management Independence", none of our Directors or Supervisors is a director or employee of a company that has an interest in the share capital of our Company which, once the H Shares are listed on the Hong Kong Stock Exchange, would have to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO.

D. EMPLOYEE INCENTIVE SCHEME

We have approved and adopted the Employee Incentive Scheme on June 18, 2023. The Employee Incentive Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the Employee Incentive Scheme does not involve the grant of new Shares or options by our Company after the Listing.

In order to implement the Employee Incentive Scheme, our Company has established four employee incentive platforms (the "**Employee Incentive Platform(s)**"), namely, Yidu Fangwenwen, Yidu Yingwenfang, Yidu Fangwen No. 1 Equity Investment Partnership (L.P.)* (宜都市芳文一號股權投資合夥企業(有限合夥)) ("**Yidu Fangwen No. 1**"), and Yidu Fangwen

No. 2 Equity Investment Partnership (L.P.)* (宜都市芳文二號股權投資合夥企業(有限合夥)) ("**Yidu Fangwen No. 2**"). As of the Latest Practicable Date, the shareholding of the above four Employee Incentive Platforms in our Company is as follows:

Name of Employee Incentive Platforms	Number of issued Shares held in our Company (as of the Latest Practicable Date)	Shareholding percentage in our Company (as of the Latest Practicable Date)
Yidu Fangwenwen[(1)]	11,477,892	2.47%
Yidu Fangwen No. 1[(2)]		
Yidu Fangwen No. 2[(3)]		
Yidu Yingwenfang[(4)]	11,477,892	2.47%

Notes:

(1) Yidu Fangwenwen is a limited partnership established in the PRC which was originally established as an intermediary shareholding platform of Mr. Zhang and Ms. Guo, where Mr. Zhang acted as its general partner. Subsequently, Yidu Fangwenwen was transformed as an Employee Incentive Platform and Dr. Zhang Yingjun has become the general partner thereof and holds 2.18% interest therein. As of the Latest Practicable Date, each of Mr. Zhang and Ms. Guo hold 0.1338% and 0.0014% interest in Yidu Fangwenwen as a limited partner, respectively. As of the Latest Practicable Date, Yidu Fangwenwen has 49 limited partners, save for Yidu Fangwen No. 1, Yidu Fangwen No. 2, Dr. Jin Chuanfei, Mr. Zhang and Ms. Guo, all of whom are our Group's employees and are Independent Third Parties. Among the limited partners of Yidu Fangwenwen, save for Yidu Fangwen No. 1 and Yidu Fangwen No. 2 which holds 38.34% and 24.09% interest in Yidu Fangwenwen, respectively, no other limited partner holds more than 10% interest therein.

(2) Yidu Fangwen No. 1 is a limited partnership established in the PRC for the Employee Incentive Scheme, which is a limited partner of Yidu Fangwenwen, holding 38.34% interest thereof. As of the Latest Practicable Date, Dr. Zhang Yingjun is its general partner, holding 1.27% interest therein, and Yidu Fangwen No. 1 has 39 limited partners, all of whom are our Group's employees or former employees and are Independent Third Parties. No limited partner holds more than 10% interest in Yidu Fangwen No. 1.

(3) Yidu Fangwen No. 2 is a limited partnership established in the PRC for the Employee Incentive Scheme, which is a limited partner of Yidu Fangwenwen, holding 24.09% interest thereof. As of the Latest Practicable Date, Dr. Zhang Yingjun is its general partner, holding 3.94% interest therein, and Yidu Fangwen No. 2 has 34 limited partners, save for Mr. Zhang Zhiyong, all of whom are our Group's employees and are Independent Third Parties. No limited partner holds more than 10% interest in Yidu Fangwen No. 2.

(4) Yidu Yingwenfang is a limited partnership established in the PRC which was originally established as an intermediary shareholding platform of Mr. Zhang and Ms. Guo, where Mr. Zhang acted as its general partner. Subsequently, Yidu Yingwenfang was transformed as an Employee Incentive Platform and Dr. Zhang Yingjun has become the general partner thereof, holding 6.80% interest therein. As of the Latest Practicable Date, each of Mr. Zhang and Ms. Guo hold 0.1338% and 0.0014% interest in Yidu Yingwenfang as a limited partner, respectively. As of the Latest Practicable Date, Yidu Yingwenfang has 21 limited partners, save for Mr. Zhang, Ms. Guo, Mr. Tang Xinfa, Dr. Li Wenjia, Ms. Huang Fangfang, Dr. Li Jing, Mr. Lin Taoxi, Mr. Chen Gang, Ms. Li Xiaoping and Mr. Min Wenbi, all of whom are our Group's employees and are Independent Third Parties. Among the limited partners of Yidu Yingwenfang, save for Mr. Tang Xinfa, our non-executive Director who holds 49.25% interest, no other limited partner holds more than 10% interest therein.

1. Purpose

For the purpose of establishing and improving long-term incentive mechanism of our Company, attracting and retaining high-end talents, fully mobilizing the enthusiasm of our Directors, Supervisors, senior management and other core employees, our Company adopted the Employee Incentive Scheme.

2. Administration

The general meeting of our Company (the "**General Meeting**") shall be responsible for considering and approving the adoption, alteration and termination of the Employee Incentive Scheme.

The Board shall be responsible for formulating the Employee Incentive Scheme and managing and implementing the Employee Incentive Scheme under the authorization of the General Meeting.

3. Participants

The participants include Directors, Supervisors, senior management, key technical personnel and other core employees and consultants of our Company (the "**Participants**").

4. Form of the Employee Incentive Scheme

The Participants, as partners of the Employee Incentive Platforms which are in the form of limited partnerships, shall subscribe for the limited partnership interest according to the amount approved by the Board, and make the corresponding payment in accordance with the arrangement of the Board, thereby indirectly holding the Shares of our Company by virtue of their capacity as limited partners of the relevant Employee Incentive Platforms.

All Participants agree that Dr. Zhang Yingjun, the general partner of the Employee Incentive Platforms, shall exercise the voting rights attaching to the Shares held by the Employee Incentive Platforms.

5. Total Number of the Underlying Shares of the Incentive Awards

Participants shall be interested in a total of 22,924,768 Shares through holding the limited partnership interests (the "**Incentive Awards**") in the Employee Incentive Platforms, and such 22,924,768 Shares represent 4.94% of the share capital of our Company in issue immediately prior to the Introduction and the Privatization.

As of the date of this Listing Document, all Incentive Awards have been granted and are in the lock-up period.

6. Subscription Price of the Incentive Shares

The subscription price of the Incentive Awards is determined on comprehensive consideration of factors, including the Participant's contribution to our Company and their respective professional and technical competence, with reference to the valuation of each of Yidu Fangwenwen and Yidu Yingwenfang as of May 31, 2023 in a valuation report prepared by an independent valuer. The subscription price is specified in the relevant share incentive agreement or capital injection agreement.

7. Lock-up period

According to the provisions of the Employee Incentive Scheme, from the date on which the Participants becomes a limited partner of the Employee Incentive Platforms, the service period of the Participants with our Group shall be five years. If a Participant acquires interest in the Employee Incentive Platforms more than once, the corresponding lock-up period shall be counted separately. During the lock-up period, the underlying Shares held by the Participants shall not be transferred without the written consent of the general partner of the Employee Incentive Platforms in which the Participant is a limited partner.

8. Redemption of the Incentive Awards

After the H Shares of our Company are listed and the lock-up period of the Employee Incentive Platforms expires, the Participants may request the general partner to facilitate the redemption of the limited partnership interests by repurchasing limited partnership interests held by the Participants or selling Shares held by the Employee Incentive Platforms. To realize the limited partnership interests that they hold, the limited partners shall submit a written application to the general partner of the limited partnership that the Participant is interested in, and the general partner will, by himself or designate a third party, repurchase the relevant limited partnership interest at a price determined based on arm's length negotiation between the parties, or sell the corresponding Shares for the amount of the limited partnership interests to be redeemed. The general partner has the right, but not the obligation, to repurchase the relevant partnership interest by himself or through a third party designated by him.

9. Adjustment to the Employee Incentive Scheme

During the term of the Employee Incentive Scheme, if our Company has capital reserve or undistributed profit that are converted into the share capital, distribution of bonus shares or share conversion as part of restructuring, the number of Shares in our Company indirectly held by the Participants through the Employee Incentive Platforms shall change accordingly.

10. Mandatory Repurchase of the Incentive Awards

Where any of the following events occurs, the human resource department of our Company has the right to request all Incentive Awards held by the Participant(s) to be repurchased by the general partner of the relevant Employee Incentive Platforms (by himself or through a third party designated by him) at a price of original acquisition of the limited partnership interest in the Employee Incentive Platforms minus any dividends received by the Participant(s):

(i) the Participant is administratively punished for violating the laws or is held criminally liable for criminal acts in accordance with the laws;

(ii) the Participant is in violation of national laws and regulations, the Articles, or other provisions of our Company's internal management rules and policies, or, in the event of negligence or misconduct as stipulated in the employment contract, the Participant causes severe impairment to our Company's interests or reputation, or causes direct or indirect financial losses to our Company;

(iii) the Participant causes severe impairment to our Company's interests or reputation due to leakage of operation and technology secrets, competition, corruption, theft, misappropriation, bribe accepting and bribe offering, or violation of competition restriction duty;

(iv) the Participant is dismissed or demoted due to serious violation of our Company's rules and regulations for personal reasons;

(v) termination of the employment relationship for any reason (including but not limited to voluntary resignation and non-renewal of the employment contract upon expiration) except when determined by our Company's human resource department as not having a negative impact on our Company; and

(vi) the Participant is in any other serious violation of our Company's relevant regulations or causes severe impairment to our Company's interests, as determined by the Board and our Company's human resource department.

11. Details of the Incentive Awards Granted under the Employee Incentive Scheme

As of the Latest Practicable Date, all Incentive Awards under the Employee Incentive Scheme were granted. Details of the Incentive Awards granted to Directors, Supervisors, senior management, connected persons and other grantees under the Employee Incentive Scheme are set out below:

Name	Position	Relevant Employee Incentive Platforms	Date of grant	Approximate number of Shares corresponding to the Incentive Awards held by the Participant	Lock-up period
Directors, Supervisors and senior management					
Dr. Zhang Yingjun	Chairman of the Board and executive Director	Yidu Fangwenwen	July 18, 2023	250,125	Until December 12, 2028
		Yidu Fangwen No. 1		47,505	Until September 13, 2028
		Yidu Fangwen No. 2		108,849	Until September 13, 2028
		Yidu Yingwenfang		780,904	Until December 12, 2028
Subtotal				1,187,383	
Dr. Li Wenjia	Executive Director	Yidu Yingwenfang	July 18, 2023	850,947	Until December 12, 2028
Mr. Tang Xinfa	Non-executive Director	Yidu Yingwenfang	July 18, 2023	5,652,977	Until December 12, 2028
Dr. Li Jing	Supervisor	Yidu Yingwenfang	July 18, 2023	395,790	Until December 31, 2028
Mr. Chen Gang	Supervisor	Yidu Yingwenfang	July 18, 2023	257,263	Until December 31, 2028
Ms. Huang Fangfang	Vice general manager	Yidu Yingwenfang	July 18, 2023	712,420	Until December 31, 2028
Dr. Jin Chuanfei	Vice general manager	Yidu Fangwenwen	July 18, 2023	336,421	Until January 8, 2029
Ms. Li Xiaoping	Vice general manager	Yidu Yingwenfang	July 18, 2023	213,727	Until December 12, 2028
Mr. Zhang Zhiyong	Vice general manager	Yidu Fangwen No. 2	July 18, 2023	98,947	Until September 13, 2028
Mr. Lin Taoxi	Vice general manager and secretary of the Board	Yidu Yingwenfang	July 18, 2023	296,842	Until December 12, 2028
Mr. Min Wenbi	Head of financial service	Yidu Yingwenfang	July 18, 2023	197,895	Until December 12, 2028
Subtotal				**10,200,612**	
Other grantees					
44 employees and former employees		Yidu Fangwenwen	July 18, 2023	3,710,509	Until December 12, 2028 or January 8, 2029
45 employees and former employees		Yidu Fangwen No. 1	July 18, 2023	4,353,234	Until September 13, 2028
33 employees and former employees		Yidu Fangwen No. 2	July 18, 2023	2,556,794	Until September 13, 2028
11 employees and former employees		Yidu Yingwenfang	July 18, 2023	2,103,619	Until December 12, 2028 or December 31, 2028
Subtotal				**12,724,156**	
Total				**22,924,768**	

E. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries under the PRC laws.

2. Litigation

As of the Latest Practicable Date, we are not aware of any litigation, arbitration or claims of material importance pending or threatened against any member of our Group that could have a material adverse effect on our financial condition or results of operations.

3. Sole Sponsor

The Sole Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules.

The sponsor fee for acting as the Sole Sponsor to our Company in connection with the Listing is US$1.15 million, of which an amount of US$0.3 million has become payable.

4. Compliance Advisor

Our Company has appointed China Sunrise Capital Limited as its compliance advisor in compliance with Rule 3A.19 of the Listing Rules.

5. Preliminary Expenses

As of the Latest Practicable Date, our Company has not incurred any material preliminary expenses.

6. Taxation of holder of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer are effected on the H Share register of members of our Company, including in circumstances where such transactions are effected on the Stock Exchange. The current rate of Hong Kong stamp duty for such sale, purchase and transfer is 0.1% of the consideration or, if higher, the fair value of the H Shares being sold or transferred.

7. Qualification of Experts

The following are the qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given opinions or advice which are contained in this Listing Document:

Name	Qualification
China International Capital Corporation Hong Kong Securities Limited	A licensed corporation under the SFO to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
Jia Yuan Law Offices	Legal advisor as to PRC law
KPMG	Certified Public Accountants
	Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant

8. Consent of Experts

Each of the experts whose name is set out in paragraph 7 above has given and has not withdrawn its written consent to the issue of this Listing Document with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and references to its name included herein in the form and context in which they respectively appear.

As of the Latest Practicable Date, none of the experts named above had any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

9. Promoters

The promoters of our Company are:

(1) Yichang HEC Research;

(2) Shenzhen HEC Industrial;

(3) Guangdong HEC Technology;

(4) Yidu Shuaixinwei;

(5) Dongyang Guangsheng Enterprise Management Partnership (L.P.)* (東陽光盛企業管理合夥企業(有限合夥));

(6) Guangdong Advanced Manufacturing Industry Investment Fund Partnership (L.P.)* (廣東先進製造產業投資基金合夥企業(有限合夥));

(7) Yidu Yingwenfang;

(8) Yidu Fangwenwen;

(9) China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司);

(10) Jiaxing Xingsheng Dongyan Investment Partnership (L.P.)* (嘉興興晟東研投資合夥企業(有限合夥));

(11) China Orient Asset Management Co., Ltd.* (中國東方資產管理股份有限公司);

(12) Jiaxing Jiayu Equity Investment Partnership (L.P.)* (嘉興嘉鈺股權投資合夥企業(有限合夥));

(13) Yidu Junjiafang;

(14) CCB Financial Asset Investment Co., Ltd. (建信金融資產投資有限公司);

(15) Zhuhai Kangyang Management Consulting Partnership (L.P.)* (珠海康陽管理諮詢合夥企業(有限合夥));

(16) Yuan Zhimin;

(17) Dongguan Songshan Lake Science City Investment Co., Ltd.* (東莞松山湖科學城投資有限公司);

(18) Gongqingcheng Jianyi Investment Partnership (L.P.)* (共青城漸益投資合夥企業(有限合夥));

(19) Huzhou Rongrui Equity Investment Partnership (L.P.)* (湖州融睿股權投資合夥企業(有限合夥));

(20) Zhuhai Kangpu Equity Investment Partnership (L.P.)* (珠海康普股權投資合夥企業(有限合夥));

(21) Wenzhou Zhenrui Equity Investment Partnership (L.P.)* (溫州臻瑞股權投資合夥企業(有限合夥));

(22) Suzhou CICC SAIC Emerging Industry Equity Investment Fund Partnership (L.P.)* (蘇州中金上汽新興產業股權投資基金合夥企業(有限合夥));

(23) Shenzhen Xinshi Xinxing Industry M&A Equity Investment Fund Partnership (L.P.)* (深圳信石信興產業併購股權投資基金合夥企業(有限合夥));

(24) Dongguan Guanzhiguang Equity Investment Partnership (L.P.)* (東莞市莞之光股權投資合夥企業(有限合夥));

(25) Dongguan Science and Technology Innovation Financial Group Co., Ltd.* (東莞科技創新金融集團有限公司);

(26) Dongguan Biotechnology Industry Investment Co., Ltd.* (東莞市生技產業投資有限公司);

(27) Ningbo Daxie Hansheng Enterprise Management Co., Ltd.* (寧波大榭漢勝企業管理有限公司);

(28) Guangdong Shunyin Industrial Finance Investment Co., Ltd.* (廣東順銀產融投資有限公司);

(29) Yidu Guotong Investment and Development Co., Ltd.* (宜都市國通投資開發有限責任公司);

(30) Shaoguan Qianhai Xizheng Industry Development Fund Enterprise (L.P.)* (韶關前海熙正產業發展基金企業(有限合夥));

(31) Shenzhen Dicheng Investment Center (L.P.)* (深圳市帝成投資中心(有限合夥));

(32) Shenzhen Qinzhi Kanghong Venture Capital Partnership (L.P.)* (深圳勤智康宏創業投資合夥企業(有限合夥));

(33) Wuhan Mige Investment Management Partnership (L.P.)* (武漢米格投資管理合夥企業(有限合夥));

(34) Guangzhou Yuanshi No. 1 Venture Capital Partnership (L.P.)* (廣州源石壹號創業投資合夥企業(有限合夥));

(35) Jiaxing Xingsheng Guangchuang Investment Partnership (L.P.)* (嘉興興晟廣創投資合夥企業(有限合夥));

(36) Zhuji Wolun Jingfu Equity Investment Partnership (L.P.)* (諸暨沃侖景富股權投資合夥企業(有限合夥));

(37) Zhuhai Hengqin Cuiheng New Era Industrial Investment Fund (L.P.)* (珠海橫琴翠亨新時代產業投資基金(有限合夥));

(38) Shenzhen Wenzheng Changxing Venture Capital Enterprise (L.P.)* (深圳市穩正長興創業投資企業(有限合夥));

(39) Hunan Xingxiang Jiacheng Private Equity Investment Fund Partnership (L.P.)* (湖南興湘佳誠私募股權投資基金合夥企業(有限合夥));

(40) Zaozhuang Changsheng Yingkang Equity Investment Management Partnership (L.P.)* (棗莊常勝英康股權投資管理合夥企業(有限合夥));

(41) Ruyuan Yao Autonomous County Yinyuan Electric Power Group Co., Ltd.* (乳源瑤族自治縣銀源電力集團有限公司);

(42) Guiyang SME Development Fund (L.P.)* (貴陽中小企業發展基金(有限合夥));

(43) Shenzhen Jiahui Chuanglong Investment Enterprise (L.P.)* (深圳市佳匯創隆投資企業(有限合夥));

(44) Jiaxing Aomin Equity Investment Partnership (L.P.)* (嘉興傲旻股權投資合夥企業(有限合夥));

(45) Jiaxing Ximian Equity Investment Partnership (L.P.)* (嘉興西緬股權投資合夥企業(有限合夥));

(46) Hangzhou Zhonghe;

(47) Pingxiang Junyuan Tongchuang Enterprise Management Center (L.P.)* (萍鄉市君源同創企業管理中心(有限合夥)); and

(48) Guangzhou Xinquanxin Investment Partnership (L.P.)* (廣州新泉信投資合夥企業(有限合夥)).

Within the two years immediately preceding the date of this Listing Document, no cash, securities or other benefit have been paid, allotted or given or have been proposed to be paid, allotted or given to the above promoters in connection with the Introduction or related transactions described in this Listing Document.

10. Bilingual Listing Document

The English language and Chinese language versions of this Listing Document are being published separately.

11. Binding Effect

This Listing Document shall have the effect, if an application is made in pursuance of this Listing Document, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in so far as applicable.

12. No Material Adverse Change

Please see "Summary — Recent Development — Update on Our Financial Performance for the First Quarter of 2025" for details of our financial performance in the first quarter of 2025.

Our Directors confirm that, up to the date of this Listing Document, save as disclosed in "Summary — Recent Development — Update on Our Financial Performance for the First Quarter of 2025", there has been no material adverse change in our financial, operational, or trading position or prospects since December 31, 2024, which is the end date of the periods reported on in the Accountants' Report included in Appendix I to this Listing Document, and there has been no event since December 31, 2024 that would materially affect the information as set out in the Accountants' Report included in Appendix I to this Listing Document.

13. Miscellaneous

(a) Save as disclosed in this Listing Document, within the two years immediately preceding the date of this Listing Document:

(i) no share or loan capital or debenture of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be issued for cash or as fully or partly paid other than in cash or otherwise; and

(ii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share of our Company or any of our subsidiaries.

(b) Save as disclosed in this Listing Document:

(i) there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;

(ii) there is no arrangement under which future dividends are waived or agreed to be waived;

(iii) no share or loan capital or debenture of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iv) no commissions, discounts, brokerages or other special terms have been granted for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company or any of our subsidiaries;

(v) no part of the equity or debt securities of our Company, if any, is currently listed on or dealt in any other stock exchange, and no such listing or permission to deal in any other stock exchange is currently being or is proposed to be sought; and

(vi) there are no outstanding debentures or convertible debt securities of our Company or any of our subsidiaries.

(c) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this Listing Document.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be published on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.hecpharm.com** up to and including the date which is 14 days from the date of this Listing Document:

(a) the Articles;

(b) the Accountants' Report from KPMG, the text of which is set out in Appendix I to this Listing Document;

(c) the report on the unaudited pro forma financial information of our Group from KPMG, the text of which is set out in Appendix II to this Listing Document;

(d) the audited consolidated financial statements of our Group for each of the financial years ended December 31, 2022, 2023 and 2024;

(e) the PRC legal opinion issued by Jia Yuan Law Offices, our Company's PRC legal advisor in respect of our general matters and property interests in the PRC;

(f) the industry report issued by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., the summary of which is set forth in the section headed "Industry Overview" in this Listing Document;

(g) the material contracts referred to in the section headed "Statutory and General Information — B. Further Information about our Business — 1. Summary of Material Contracts" in Appendix VI to this Listing Document;

(h) the service contracts referred to in the section headed "Statutory and General Information — C. Further Information about our Directors, Supervisors and Substantial Shareholders — 1. Directors, Supervisors and Chief Executive — (ii) Particulars of service agreements and appointment letters" in Appendix VI to this Listing Document;

(i) the written consents referred to in the section headed "Statutory and General Information — E. Other Information — 8. Consent of Experts" in Appendix VI to this Listing Document; and

(j) copies of the following PRC laws, together with the unofficial English translations thereof:

(i) the PRC Company Law;

(ii) the PRC Securities Law;

(iii) the Trial Measures; and

(iv) the Guidelines for Articles of Association of Listed Companies.