

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
	<u>744,776</u>	<u>844,366</u>	<u>1,330,856</u>

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
	<u>530,024</u>	<u>590,828</u>	<u>822,880</u>

22 BANK LOANS AND OTHER BORROWINGS

The Group

	Note	As of 31 December		
		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
		<u>2,250,029</u>	<u>1,961,313</u>	<u>2,287,068</u>
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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
		<u>1,007,145</u>	<u>3,289,197</u>	<u>2,196,225</u>
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		<u>3,257,174</u>	<u>5,250,510</u>	<u>4,483,293</u>

The Company

		As of 31 December		
	Note	2022	2023	2024
		RMB '000	RMB '000	RMB '000
Non-current				
Bank loans				
Obligations arising from sale and leaseback transactions	22(a)	1,558,500	1,507,500	1,346,250
	22(b)	—	165,527	51,582
		1,558,500	1,673,027	1,397,832
Current				
Bank loans				
Obligations arising from sale and leaseback transactions	22(a)	767,530	743,448	737,356
	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	<u>3,102,960</u>	<u>4,670,384</u>	<u>4,014,576</u>

The Company

	As of 31 December		
	2022	2023	2024
	RMB '000	RMB '000	RMB '000
Secured	<u>2,326,030</u>	<u>2,250,948</u>	<u>2,083,606</u>

- (i) The Group's bank loans were secured as follows:

The Group

	Note	As of 31 December		
		2022	2023	2024
		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	—
		<u>2,759,584</u>	<u>4,655,007</u>	<u>1,825,387</u>

The Company

	Note	As of 31 December		
		2022	2023	2024
		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	—
		<u>1,571,476</u>	<u>2,050,675</u>	<u>50,565</u>

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
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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
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Total	110,421	96,372	142,858

24 INTEREST-BEARING BORROWINGS

	As of 31 December
	2022
	RMB '000
Convertible bonds	
– Current	2,906,963
	<u>2,906,963</u>

- (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

	Note	Years ended 31 December		
		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:

	Note	Years ended 31 December		
		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
	<u>6,388,055</u>	<u>7,402,700</u>	<u>7,863,014</u>

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 Note 29(c)	RMB '000 Note 29(d)(i)	RMB '000 Note 29(d)(ii)	RMB '000 Note 29(e)	RMB '000 Note 29(d)(iii)	RMB '000	RMB '000
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:

	Note	As of 31 December		
		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
Interest-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%
	<u> </u>	<u> </u>	<u> </u>

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
		<u>692,714</u>	<u>11,607</u>

	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	95
More than 2 years but within 3 years	100.00%	19	15
More than 3 years	100.00%	7,322	7,322
		<u>1,829,084</u>	<u>16,586</u>

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
		<u>1,847,286</u>	<u>144,574</u>

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	<u>11,607</u>	<u>16,586</u>	<u>98,954</u>

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:						
	3.83% –		3.20% –		3.40% –	
Bank loans	5.00%	185,284	4.80%	364,730	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		<u>3,180,180</u>		<u>496,483</u>		<u>599,636</u>
Floating rate instruments:						
	4.19% –		2.40% –		2.40% –	
Bank loans	5.39%	2,907,009	6.95%	4,286,142	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		<u>2,973,290</u>		<u>4,734,515</u>		<u>3,777,814</u>
Total interest-bearing loans and borrowings		<u>6,153,470</u>		<u>5,230,998</u>		<u>4,377,450</u>
Net fixed rate instruments as a percentage of total instruments		<u>52%</u>		<u>9%</u>		<u>14%</u>

(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	–
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)

(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)
E u r o s	97	(6)	(90)
Hong Kong Dollars	<u>59</u>	<u>1</u>	<u>–</u>

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 RMB '000	Fair value measurements as of 31 December 2022 categorised into		
		Level 1	Level 2	Level 3
		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))	<u>(782,651)</u>	<u>–</u>	<u>(782,651)</u>	<u>–</u>

	Fair value at 31 December 2023 RMB '000	Fair value measurements as of 31 December 2023 categorised into		
		Level 1	Level 2	Level 3
		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	<u>(1,139)</u>	<u>–</u>	<u>(1,139)</u>	<u>–</u>

	Fair value at 31 December 2024 RMB '000	Fair value measurements as of 31 December 2024 categorised into		
		Level 1	Level 2	Level 3
		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	<u>3,839</u>	<u>–</u>	<u>–</u>	<u>3,839</u>

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
	<u>803,881</u>	<u>1,071,441</u>	<u>745,107</u>

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
	<u>8,231</u>	<u>64,500</u>	<u>114,571</u>

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. (宜昌東陽光火力發電有限公司)*	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展有限公司)*	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
	<u>172,185</u>	<u>181,811</u>	<u>219,467</u>
(ii) Purchase of property, plant and equipment from:			
Yidu Changjiang Machinery Equipment Co., Ltd.	17,817	9,307	2,918
Others	1,622	–	–
	<u>19,439</u>	<u>9,307</u>	<u>2,918</u>
(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	–
	<u>88,158</u>	<u>32,325</u>	<u>–</u>
(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	–
	<u>44,801</u>	<u>38,782</u>	<u>–</u>
(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
	<u>22,519</u>	<u>38,225</u>	<u>44,210</u>
(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
	<u>1,048</u>	<u>1,034</u>	<u>1,584</u>
(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
	<u>32,793</u>	<u>32,808</u>	<u>38,733</u>
(ix) Payments through:			
Shenzhen HEC Industrial Development Co., Ltd.	49,673	5,609	283,490
HEC PHARM (HONG KONG) COMPANY LIMITED .	–	35,635	–
	<u>49,673</u>	<u>41,244</u>	<u>283,490</u>

(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
	—	<u>1,643</u>	<u>484</u>
	<u>—</u>	<u>—</u>	<u>—</u>

	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	—
	<u>109,691</u>	<u>6,588</u>	<u>2,750</u>
	<u>—</u>	<u>—</u>	<u>—</u>

	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	2
	<u>66,165</u>	<u>88,074</u>	<u>101,848</u>
	<u>—</u>	<u>—</u>	<u>—</u>

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
	<u>1,398,718</u>	<u>189</u>	<u>121</u>

	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	—	—
	<u>2,402,404</u>	<u>—</u>	<u>—</u>

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
	<u>—</u>	<u>—</u>	<u>57</u>

	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. ..	—	453	2,750
Ruyuan HEC Pharmaceutical Co., Ltd.	—	—	—
	<u>544,317</u>	<u>453</u>	<u>2,750</u>

	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
	<u>15,889</u>	<u>81,146</u>	<u>77,352</u>

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	–	–
	<u>1,195,308</u>	<u>–</u>	<u>–</u>

	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	–	–
	<u>2,387,567</u>	<u>–</u>	<u>–</u>

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, <i>Lack of exchangeability</i>	1 January 2025
Amendments to IFRS 9 and IFRS 7: <i>Amendments to the Classification and Measurement of Financial Instruments</i>	1 January 2026
Amendments to IFRS 9 and IFRS 7, <i>Contracts Referencing Nature-dependent Electricity</i>	1 January 2026
Annual Improvements to IFRS Accounting Standards – Volume 11	1 January 2026
IFRS 18, <i>Presentation and Disclosure in Financial Statements</i>	1 January 2027
IFRS 19, <i>Subsidiaries without Public Accountability: Disclosures</i>	1 January 2027
<i>Amendments to IFRS 10 and IAS 28, Sale or contribution of assets between an investor and its associate or joint venture</i>	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.