Sunshine Lake Pharma Co., Ltd.
广东东阳光药业股份有限公司

Consolidated Financial Statements
for the years ended
31 December 2022, 2023 and 2024

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Independent auditor's report

to the directors of Sunshine Lake Pharma Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements of Sunshine Lake Pharma Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages 4 to 116, which comprise the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2022, 2023 and 2024, 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 and notes, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the Company's and the Group's financial position at of 31 December 2022, 2023 and 2024 and of the Group's consolidated financial performance and the Group's consolidated cash flows for each of the years ended 31 December 2022, 2023 and 2024 in accordance with the basis of preparation and presentation set out in Note 1 to the consolidated financial statements.

Basis for opinion

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

Emphasis of Matter – Basis of Preparation and Presentation

We draw attention to Note 1 to the consolidated financial statements, which describes the basis of preparation and presentation. The consolidated financial statements are prepared for the purpose of the preparation of a listing document by the directors of the Company in connection with the listing of the Company's H shares on The Stock Exchange of Hong Kong Limited. As a result, the consolidated financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of the directors for the consolidated financial statements

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

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

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

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

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

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

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

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

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

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

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

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

30 June 2025

Consolidated statements of profit or loss
(Expressed in Renminbi)

	Note	2022 RMB'000	2023 RMB'000	2024 RMB'000
		Years ended 31 December		
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 consolidated financial statements.

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 consolidated financial statements.

Consolidated statements of financial position
(Expressed in Renminbi)

	Note	As of 31 December 2022 RMB'000	2023 RMB'000	2024 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

Consolidated statements of financial position (continued)
(Expressed in Renminbi)

	Note	As of 31 December 2022 RMB'000	2023 RMB'000	2024 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

Approved and authorised for issued by the Board of Directors on 30 June 2025.

Zhang Yingjun
Director

Tang Xinfa
Director

The accompanying notes form part of the consolidated financial statements.

Statements of financial position of the Company
(Expressed in Renminbi)

	Note	As of 31 December 2022 RMB'000	2023 RMB'000	2024 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

Statements of financial position of the Company (continued)
(Expressed in Renminbi)

	Note	As of 31 December 2022 RMB'000	2023 RMB'000	2024 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

Approved and authorised for issued by the Board of Directors on 30 June 2025.

Zhang Yingjun
Director

Tang Xinfa
Director

The accompanying notes form part of the consolidated financial statements.

Consolidated statements of changes in equity

(Expressed in Renminbi)

	Note	Attributable to equity shareholders of the Company									
		Paid-in capital RMB'000 Note 29(c)	Capital reserve RMB'000 Note 29(d)(i)	Merger reserve RMB'000	Treasury stock RMB'000 Note 29(e)	Exchange reserve RMB'000 Note 29(d)(iv)	Statutory reserve RMB'000 Note 29(d)(iii)	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
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)

Consolidated statements of changes in equity (continued)

(Expressed in Renminbi)

	Note	*Attributable to equity shareholders of the Company* Paid-in capital/share capital RMB'000 Note 29(c)	Capital reserve RMB'000 Note 29(d)(i)	Merger reserve RMB'000	Treasury stock RMB'000 Note 29(e)	Share-based payment reserve RMB'000 Note 29(d)(ii)	Exchange reserve RMB'000 Note 29(d)(iv)	Statutory reserve RMB'000 Note 29(d)(iii)	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity 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

Consolidated statements of changes in equity (continued)

(Expressed in Renminbi)

		Attributable to equity shareholders of the Company										
	Note	*Paid-in capital/share capital* RMB'000 Note 29(c)	*Capital reserve* RMB'000 Note 29(d)(i)	*Merger reserve* RMB'000	*Treasury stock* RMB'000 Note 29(e)	*Share-based payment reserve* RMB'000 Note 29(d)(ii)	*Exchange reserve* RMB'000 Note 29(d)(iv)	*Statutory reserve* RMB'000 Note 29(d)(iii)	*Accumulated losses* RMB'000	*Total* RMB'000	*Non-controlling interests* RMB'000	*Total equity* RMB'000
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 consolidated financial statements.

Consolidated statements of cash flows
(Expressed in Renminbi)

	Note	*Years ended 31 December* 2022 RMB'000	2023 RMB'000	2024 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

Consolidated statements of cash flows (continued)
(Expressed in Renminbi)

	Note	Years ended 31 December 2022 RMB'000	2023 RMB'000	2024 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 consolidated financial statements.

Notes to the consolidated financial statements
(Expressed in Renminbi unless otherwise indicated)

1 Basis of preparation and presentation of the consolidated financial statements

Sunshine Lake Pharma Co., Ltd. (广东东阳光药业股份有限公司, "the Company"), formerly known as Sunshine Lake Pharma Ltd. (广东东阳光药业有限公司), 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 detailed in the section headed "History, Development and Corporate Structure" in the listing document of the Company dated 30 June 2025 (the "Listing Document"). 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 consolidated financial statements have been prepared in accordance with all applicable IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB"). As the Group's first consolidated financial statements prepared in accordance with IFRS Accounting Standards, IFRS 1 "First-time Adoption of International Financial Reporting Standards" has been applied save for certain presentation and disclosure provisions therein. The date of transition to IFRS Accounting Standards was 1 January 2022. 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 these consolidated financial statements, the Group has adopted all applicable new and revised IFRS Accounting Standards consistently for each of the years ended 31 December 2022, 2023 and 2024 (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 consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements are 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 consolidated financial statements.

(a) *Basis of measurement*

The measurement basis used in the preparation of the consolidated financial statements 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 consolidated financial statements 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 consolidated financial statements and major sources of estimation uncertainty are discussed in Note 3.

2 Material accounting policies (continued)

(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 consolidated financial statements 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 consolidated financial statements. 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).

2 Material accounting policies (continued)

(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 consolidated financial statements 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.

2 Material accounting policies (continued)

(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.

2 Material accounting policies (continued)

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.

2 Material accounting policies (continued)

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.

2 Material accounting policies (continued)

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.

2 Material accounting policies (continued)

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.

2 Material accounting policies (continued)

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).

2 Material accounting policies (continued)

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.

2 Material accounting policies (continued)

(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).

2 Material accounting policies (continued)

- 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).

2 Material accounting policies (continued)

(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.

2 Material accounting policies (continued)

(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).

2 Material accounting policies (continued)

(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.

2 Material accounting policies (continued)

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.

2 Material accounting policies (continued)

(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:

2 Material accounting policies (continued)

(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.

2 Material accounting policies (continued)

(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.

2 Material accounting policies (continued)

(z) Related parties

(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.

2 Material accounting policies (continued)

(aa) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, 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.

3 Accounting estimates and judgements (continued)

(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 consolidated financial statements. 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

4 Revenue (continued)

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 RMB 1,979,757,000 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.

4 Revenue (continued)

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

	Note	Years ended 31 December 2022 RMB'000	2023 RMB'000	2024 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 RMB'000	*2023* RMB'000	*2024* 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 RMB'000	*2023* RMB'000	*2024* 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.

6 (Loss)/profit before taxation (continued)

(c) Other items

	Note	2022 RMB'000	2023 RMB'000	2024 RMB'000
		Years ended 31 December		
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 RMB 384,215,000 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. ("宜昌东阳光制药有限公司"), 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.

7 Income tax in the consolidated statements of profit or loss (continued)

(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.

	Note	*Years ended 31 December* 2022 RMB'000	2023 RMB'000	2024 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

7 Income tax in the consolidated statements of profit or loss (continued)

(b) Reconciliation between income tax (credit)/expense and accounting (loss)/profit at applicable tax rates:

	Note	*Years ended 31 December* 2022 RMB'000	2023 RMB'000	2024 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 RMB'000	*Salaries, allowances and benefits in kind* RMB'000	*Contributions to defined contribution retirement benefit schemes* RMB'000	*Discretionary bonuses* RMB'000	*Total* 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

8 Directors' and supervisors' remuneration (continued)

	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

8 Directors' and supervisors' remuneration (continued)

	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 on11 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 on11 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.

10 (Loss)/earnings per share (continued)

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 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 RMB'000	*2023* RMB'000	*2024* RMB'000
(Loss)/profit for the year 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 attributable to ordinary equity shareholders of the Company	(1,084,623)	184,924	(207,434)

10 (Loss)/earnings per share (continued)

(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 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 RMB'000	*Machinery* RMB'000	*Office equipment and others* RMB'000	*Motor vehicles* RMB'000	*Construction in progress* RMB'000	*Sub-total* RMB'000	*Ownership interests in leasehold land held for own use* RMB'000	*Other properties leased for own use* RMB'000	*Total* 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

11 Fixed assets (continued)

The Company

	Property, plant and equipment						Right-of-use assets		
	Plant and buildings RMB'000	Machinery RMB'000	Office equipment and others RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Sub-total RMB'000	Ownership interests in leasehold land held for own use RMB'000	Other properties leased for own use RMB'000	Total 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.

11 Fixed assets (continued)

(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 RMB'000	*2023* RMB'000	*2024* 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 RMB'000	*2023* RMB'000	*2024* 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.

11 Fixed assets (continued)

(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

		Hepatitis C drugs		*Insulin*		*Other drugs*		
	Note	*Patents* RMB'000	*Capitalised development costs* RMB'000	*Intellectual property rights* RMB'000	*Capitalised development costs* RMB'000	*Generic drug intellectual property rights* RMB'000	*Capitalised development costs* RMB'000	*Total* 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

12 Intangible assets (continued)

The Company

	Hepatitis C drugs Capitalised development costs RMB'000	Insulin Capitalised development costs RMB'000	Other drugs Generic drug intellectual property rights RMB'000	Other drugs Capitalised development costs RMB'000	Total 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 consolidated financial statements.

As of 31 December 2022, 2023 and 2024, the intangible assets under development were not yet ready for intended use.

12 Intangible assets (continued)

(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.

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.

12 Intangible assets (continued)

(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.

12 Intangible assets (continued)

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.

12 Intangible assets (continued)

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
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			
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%
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

12 Intangible assets (continued)

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
Olorigliflozin			
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)
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

12 Intangible assets (continued)

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.

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.

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.

13 Goodwill (continued)

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*		*Principal activities*
			Held by the Company	*Held by a subsidiary*	
Shenzhen HEC Testing Technology Co., Ltd. (notes (i) and (iii)) (深圳市东阳光检测技术有限公司)	PRC	RMB210,000,000/ RMB210,000,000	100.00%	-	Product quality inspection
Dongguan HEC Biopharmaceutical R&D Co., Ltd. (notes (i) and (iii)) (东莞市东阳光生物药研发有限公司)	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)) (东莞市东阳光仿制药研发有限公司)	PRC	RMB30,000,000/ Nil	100.00%	-	Generic drug research and production
Yichang HEC ChangJiang Pharmaceutical Co., Ltd. (note (ii)) (宜昌东阳光长江药业股份有限公司)	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)) (东莞市阳之康医药有限责任公司)	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)) (广东东阳光生物制剂有限公司)	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)) (宜昌东阳光医药有限公司)	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)) (宜昌东阳光制药有限公司)	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)) (宜昌东阳光医药科技推广服务有限公司) ("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 R&D Co., Ltd. (notes (i) and (ii)) (东莞东阳光医药有限公司)("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)) (香港东阳光销售有限公司) ("Hong Kong HEC")	Hong Kong	HKD2,290,220,000/ HKD2,290,220,000	100.00%	-	Pharmaceutical sales
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

14 Investments in subsidiaries (continued)

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 (毕马威华振会计师事务所 (特殊普通合伙) 广州分所).

(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 (天健会计师事务所四川分所). The statutory financial statements of these companies for the year ended 31 December 2023、2024 were audited by Dongguan Dexinkang Accounting Firm (东莞市德信康会计师事务所有限公司).

(iv) The statutory financial statements of Hong Kong HEC for the years ended 31 December 2022 and 2023 were audited by Conpak CPA Limited (康栢会计师事务所). 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.

14 Investments in subsidiaries (continued)

(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

	Note	As of 31 December 2022 RMB'000	2023 RMB'000	2024 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 RMB7,681,000 respectively.

16 Prepayments

The Group

	Note	As of 31 December 2022 RMB'000	2023 RMB'000	2024 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 RMB'000	2023 RMB'000	2024 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. (东莞东阳光药物研发有限公司). 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 RMB'000	2023 RMB'000	2024 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 RMB'000	2023 RMB'000	2024 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.

18 Trade and other receivables (continued)

(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

	Note	*As of 31 December* 2022 RMB'000	2023 RMB'000	2024 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 RMB'000	2023 RMB'000	2024 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.

19 Cash and cash equivalents, restricted cash and other cash flow information (continued)

(b) Reconciliation of (loss)/profit before taxation to cash generated from operations:

	Note	*2022* RMB'000	*2023* RMB'000	*2024* RMB'000
		Years ended 31 December		
(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

19 Cash and cash equivalents, restricted cash and other cash flow information (continued)

(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* RMB'000 (Note 22)	*Lease liabilities* RMB'000 (Note 23)	*Interest-bearing borrowings* RMB'000 (Note 24)	*Financial instruments with preferential rights issued to investors* RMB'000 (Note 25)	*Non-trade payables/ (receivables)* RMB'000	*Total* 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

19 Cash and cash equivalents, restricted cash and other cash flow information (continued)

	Note	*Bank loans and other borrowings* RMB'000 (Note 22)	*Lease liabilities* RMB'000 (Note 23)	*Interest-bearing borrowings* RMB'000 (Note 24)	*Non-trade payables/ (receivables)* RMB'000	*Total* 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

19 Cash and cash equivalents, restricted cash and other cash flow information (continued)

	Note	*Bank loans and other borrowings* RMB'000 (Note 22)	*Lease liabilities* RMB'000 (Note 23)	*Total* RMB'000
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

20 Contract liabilities (continued)

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

		As of 31 December		
	Note	*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

		As of 31 December		
	Note	*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.

21 Trade and other payables (continued)

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

	Note	As of 31 December 2022 RMB'000	2023 RMB'000	2024 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 RMB'000	2023 RMB'000	2024 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

22 Bank loans and other borrowings (continued)

(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

22 Bank loans and other borrowings (continued)

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

The Group

	Note	As of 31 December 2022 RMB'000	2023 RMB'000	2024 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

	Note	As of 31 December 2022 RMB'000	2023 RMB'000	2024 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).

22 Bank loans and other borrowings (continued)

(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 RMB 286,783,000. 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 RMB 260,587,000. 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.

22 Bank loans and other borrowings (continued)

(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 RMB'000	2023 RMB'000	2024 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 RMB'000	2023 RMB'000	2024 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.

24 Interest-bearing borrowings (continued)

(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.

24 Interest-bearing borrowings (continued)

(iv) The convertible bonds recognised in the consolidated statements of financial position of the Group are analysed as follows:

	Host liability component RMB'000	*Derivative component* RMB'000	*Total* 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.

25 Financial instruments with preferential rights issued to investors (continued)

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 by the 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 RMB'000	2023 RMB'000	2024 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 RMB'000	2023 RMB'000	2024 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* RMB'000	*2023* RMB'000	*2024* 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

28 Income tax in the consolidated statements of financial position (continued)

(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* RMB'000	*Provisions for inventories and receivables* RMB'000	*Accrued expenses* RMB'000	*Fair value change on derivative financial instruments embedded in convertible bonds and others* RMB'000	*Excess advertisement expenses* RMB'000	*Impairment of intangible assets* RMB'000	*Depreciation for property, plant and equipment* RMB'000	*Unrealised profit arising from intra-group transactions* RMB'000	*Right-of-use assets* RMB'000	*Lease liabilities* RMB'000	*Unused tax losses* RMB'000	*Total* 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

28 Income tax in the consolidated statements of financial position (continued)

(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 RMB'000	*2023* RMB'000	*2024* 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 RMB'000 Note 29(c)	*Capital reserve* RMB'000 Note 29(d)(i)	*Merger reserve* RMB'000 Note 29(d)(ii)	*Treasury stock* RMB'000 Note 29(e)	*Share-based payment reserve* RMB'000 Note 29(d)(iii)	*Accumulated losses* RMB'000	*(Net deficit)/ total equity* RMB'000
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
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

29 Capital, reserves and dividends (continued)

(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.

29 Capital, reserves and dividends (continued)

(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).

29 Capital, reserves and dividends (continued)

(e) Treasury stock

(i) In February 2021, Yidu Yingwenfang Equity Investment Limited (L.P.) (宜都英文芳股权投资合伙企业(有限合伙), "Yidu Yingwenfang") and Yidu Fangwenwen Equity Investment Limited (L.P.) (宜都芳文文股权投资合伙企业(有限合伙), "Yidu Fangwenwen") were established as employee incentive platforms. On 15 March 2021, YiChang Research Co., Ltd. (宜昌东阳光药研发有限公司, "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 (南北兄弟药业投资有限公司) 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.

29 Capital, reserves and dividends (continued)

(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* RMB'000	*2023* RMB'000	*2024* 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.

30 Financial risk management and fair values (continued)

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* RMB'000	*Loss allowance* 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* RMB'000	*Loss allowance* 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* RMB'000	*Loss allowance* 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

30 Financial risk management and fair values (continued)

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:

30 Financial risk management and fair values (continued)

	At 31 December 2022					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	*More than 1 year but less than 2 years* RMB'000	*More than 2 years but less than 5 years* RMB'000	*More than 5 years* RMB'000	*Total* RMB'000	*Carrying amount* 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 RMB'000	*More than 1 year but less than 2 years* RMB'000	*More than 2 years but less than 5 years* RMB'000	*More than 5 years* RMB'000	*Total* RMB'000	*Carrying amount* 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 RMB'000	*More than 1 year but less than 2 years* RMB'000	*More than 2 years but less than 5 years* RMB'000	*More than 5 years* RMB'000	*Total* RMB'000	*Carrying amount* 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.

30 Financial risk management and fair values (continued)

(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* 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
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%

30 Financial risk management and fair values (continued)

(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.

30 Financial risk management and fair values (continued)

(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 RMB'000	*Euro* RMB'000	*Hong Kong Dollars* RMB'000	*United States Dollars* RMB'000	*Euro* RMB'000	*Hong Kong Dollars* RMB'000	*United States Dollars* RMB'000	*Euro* RMB'000	*Hong Kong Dollars* 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

30 Financial risk management and fair values (continued)

(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.

30 Financial risk management and fair values (continued)

Recurring fair value measurements	Fair value at 31 December 2022 RMB'000	Fair value measurements as of 31 December 2022 categorised into Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
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)	-

Recurring fair value measurements	Fair value at 31 December 2023 RMB'000	Fair value measurements as of 31 December 2023 categorised into Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
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)	-

Recurring fair value measurements	Fair value at 31 December 2024 RMB'000	Fair value measurements as of 31 December 2024 categorised into Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
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.

30 Financial risk management and fair values (continued)

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 RMB'000	*Valuation technique*	*Unobservable input*	*Range (weighted average)*
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 RMB'000	*Fair value* 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)).

32 Material related party transactions (continued)

(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. (乳源东阳光药业有限公司)*	effectively owned by the ultimate controlling parties
Yichang HEC Biochemical Pharmaceutical Co., Ltd. (宜昌东阳光生化制药有限公司)*	effectively owned by the ultimate controlling parties
Yichang HEC Power Plant Co., Ltd. (宜昌东阳光火力发电有限公司)*	effectively owned by the ultimate controlling parties
Shaoguan HEC Packaging and Printing Co., Ltd. (韶关东阳光包装印刷有限公司)*	effectively owned by the ultimate controlling parties
Shenzhen HEC Industrial Development Co., Ltd. (深圳市东阳光实业发展有限公司)*	effectively owned by the ultimate controlling parties
Dongguan HEC Industrial Development Co., Ltd. (东莞市东阳光实业发展有限公司)*	effectively owned by the ultimate controlling parties
Yichang HEC Medicine Co., Ltd. (宜昌东阳光药业股份有限公司)*	effectively owned by the ultimate controlling parties
Dongguan HEC Research Co., Ltd. (东莞东阳光药物研发有限公司)*	effectively owned by the ultimate controlling parties
Yidu Changjiang Machinery Equipment Co., Ltd. (宜都长江机械设备有限公司)*	effectively owned by the ultimate controlling parties
Guangdong HEC Technology Holding Co., Ltd. (广东东阳光科技控股股份有限公司)*	effectively owned by the ultimate controlling parties
Shenzhen HEC Formed Foil Co., Ltd. (深圳市东阳光化成箔股份有限公司)*	effectively owned by the ultimate controlling parties
HEC PHARM (HONG KONG) COMPANY LIMITED (东阳光药业 (香港) 有限公司)	effectively owned by the ultimate controlling parties
Yichang Shancheng Shuidu Restaurant Co., Ltd. (宜昌山城水都大饭店有限公司)*	effectively owned by the ultimate controlling parties
Yidu Shanchengshuidu Project Construction Co., Ltd. (宜都山城水都建筑工程有限公司)*	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.

32 Material related party transactions (continued)

(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 RMB'000	2023 RMB'000	2024 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

32 Material related party transactions (continued)

(c) Significant related party transactions

	Years ended 31 December		
	2022	*2023*	*2024*
	RMB'000	RMB'000	RMB'000
(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

32 Material related party transactions (continued)

(d) Balances with related parties

	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	-	-

32 Material related party transactions (continued)

(d) Balances with related parties

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.

32 Material related party transactions (continued)

(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 set out in the Listing Document, 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 the consolidated financial statements to reflect the special dividend payable to the aforementioned shareholders.

Save as disclosed above, there is no other significant non-adjusting event after the Track Record Period.

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 consolidated financial statements, 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.