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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF JIANGSU HENGRUI PHARMACEUTICALS CO., LTD., MORGAN STANLEY ASIA LIMITED, CITIGROUP GLOBAL MARKETS ASIA LIMITED AND HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED

Introduction

We report on the historical financial information of Jiangsu Hengrui Pharmaceuticals Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-4 to I-77, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended December 31, 2022, 2023 and 2024 (the “Relevant Periods”), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2022, 2023 and 2024 and material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-4 to I-77 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated May 15, 2025 (the “Document”) in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

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

**Reporting accountants' responsibility (continued)**

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at December 31, 2022, 2023 and 2024 of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.



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

Adjustments

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

Dividends

We refer to note 12 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

Certified Public Accountants

Hong Kong

May 15, 2025

I HISTORICAL FINANCIAL INFORMATION

PREPARATION OF HISTORICAL FINANCIAL INFORMATION

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

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended December 31,		
	Notes	2022	2023	2024
		RMB'000	RMB'000	RMB'000
REVENUE	5	21,275,271	22,819,785	27,984,605
Cost of sales		(3,486,639)	(3,525,248)	(3,848,177)
Gross profit		17,788,632	19,294,537	24,136,428
Other income and gains	5	1,371,215	1,033,784	1,174,630
Selling and distribution expenses		(7,347,894)	(7,577,176)	(8,336,069)
Research and development expenses		(4,886,553)	(4,953,887)	(6,582,916)
Administrative expenses		(2,498,159)	(2,644,551)	(2,815,094)
Other expenses	6	(389,262)	(406,996)	(380,149)
Finance costs	8	(6,491)	(5,905)	(5,559)
Share of losses of associates		(62,996)	(72,696)	(21,581)
PROFIT BEFORE TAX	7	3,968,492	4,667,110	7,169,690
Income tax expenses	11	(153,351)	(389,289)	(832,695)
PROFIT FOR THE YEAR		3,815,141	4,277,821	6,336,995
Attributable to:				
Owners of the parent		3,906,374	4,302,436	6,336,527
Non-controlling interests		(91,233)	(24,615)	468
		3,815,141	4,277,821	6,336,995
EARNINGS PER SHARE				
ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT				
Basic (RMB)	13	0.61	0.68	1.00
Diluted (RMB)	13	0.61	0.68	1.00

	Year ended December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Notes</i>			
PROFIT FOR THE YEAR	<u>3,815,141</u>	<u>4,277,821</u>	<u>6,336,995</u>
OTHER COMPREHENSIVE INCOME			
Other comprehensive income/(expense)			
that may be reclassified to profit or			
loss in subsequent periods:			
Exchange differences:			
Exchange differences on translation of			
foreign operations	<u>15,869</u>	<u>17,841</u>	<u>(624)</u>
OTHER COMPREHENSIVE			
INCOME/(EXPENSE) FOR THE			
YEAR, NET OF TAX	<u>15,869</u>	<u>17,841</u>	<u>(624)</u>
TOTAL COMPREHENSIVE INCOME			
FOR THE YEAR	<u>3,831,010</u>	<u>4,295,662</u>	<u>6,336,371</u>
Attributable to:			
Owners of the parent	3,921,145	4,318,530	6,334,175
Non-controlling interests	<u>(90,135)</u>	<u>(22,868)</u>	<u>2,196</u>
	<u>3,831,010</u>	<u>4,295,662</u>	<u>6,336,371</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31,		
	Notes	2022	2023	2024
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	14	6,947,491	6,888,464	7,094,142
Intangible assets	15	1,730,679	2,917,808	4,556,283
Right-of-use assets	16	569,631	535,527	582,246
Investments in associates	17	767,862	694,991	666,354
Other non-current assets	18	442,550	383,298	479,107
Financial assets at fair value through profit or loss (“FVTPL”)	22	739,711	756,391	1,065,411
Deferred tax assets	27	238,897	320,556	377,174
Total non-current assets		11,436,821	12,497,035	14,820,717
CURRENT ASSETS				
Inventories	19	2,450,575	2,314,026	2,417,119
Trade and bills receivables	20	8,341,471	6,134,907	6,159,470
Prepayments, other receivables and other assets	21	2,270,834	1,993,384	1,649,088
Financial assets at FVTPL	22	2,760,494	99,050	273,345
Pledged deposits and restricted cash . .	23	250	—	13,430
Cash and bank balances	23	15,110,430	20,746,105	24,802,475
Total current assets		30,934,054	31,287,472	35,314,927
CURRENT LIABILITIES				
Trade and other payables	24	2,187,171	2,296,285	3,230,864
Interest-bearing borrowings	26	1,260,943	—	—
Income tax payables		4,030	59,284	242,938
Contract liabilities	25	187,075	198,091	159,793
Total current liabilities		3,639,219	2,553,660	3,633,595
NET CURRENT ASSETS		27,294,835	28,733,812	31,681,332
TOTAL ASSETS LESS CURRENT				
LIABILITIES		38,731,656	41,230,847	46,502,049

		December 31,		
	Notes	2022	2023	2024
		RMB'000	RMB'000	RMB'000
NON-CURRENT LIABILITIES				
Lease liabilities	16	98,861	75,176	69,036
Deferred income		119,440	38,950	225,650
Deferred tax liabilities	27	100,447	83,635	117,112
Total non-current liabilities		318,748	197,761	411,798
Net assets		38,412,908	41,033,086	46,090,251
EQUITY				
Equity attributable to owners of the parent				
Share capital	28	6,379,002	6,379,002	6,379,002
Treasury shares	28	(398,028)	(1,091,851)	(1,228,624)
Reserves	29	31,842,586	35,178,644	40,369,484
		37,823,560	40,465,795	45,519,862
Non-controlling interests		589,348	567,291	570,389
Total equity		38,412,908	41,033,086	46,090,251

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended December 31, 2022

	Attributable to owners of the parent						
	Share capital	Treasury shares	Share premium*	Other reserves*	Surplus reserve*	Retained profits*	Total
	RMB'000 (note 28)	RMB'000 (note 28)	RMB'000 (note 29)	RMB'000 (note 29)	RMB'000 (note 29)	RMB'000	RMB'000
At January 1, 2022	6,396,012	(664,935)	3,217,434	126,592	3,054,743	22,872,798	35,002,644
Profit for the year	-	-	-	-	-	3,906,374	3,906,374
Other comprehensive income for the year:							
Exchange differences on translation of foreign operations	-	-	-	14,771	-	-	14,771
Total comprehensive income for the year	-	-	-	14,771	-	3,906,374	3,921,145
Final 2021 dividend declared and paid	-	-	-	-	-	(1,020,466)	(1,020,466)
Appropriation to statutory surplus reserve	-	-	-	-	244,169	(244,169)	-
Capital injections from non-controlling shareholders of subsidiaries	-	-	-	274,902	-	-	274,902
Repurchase and cancellation of restricted A shares	(17,010)	664,935	(650,760)	-	-	5,670	2,835
Repurchase of shares under A share stock ownership schemes	-	(398,028)	-	-	-	-	(398,028)
Recognition of equity-settled share-based payments (note 30)	-	-	-	32,061	-	-	32,061
Others**	-	-	-	8,467	-	-	8,467
At December 31, 2022	<u>6,379,002</u>	<u>(398,028)</u>	<u>2,566,674</u>	<u>456,793</u>	<u>3,298,912</u>	<u>25,520,207</u>	<u>37,823,560</u>
						<u>589,348</u>	<u>38,412,908</u>

Year ended December 31, 2023

	Attributable to owners of the parent						
	Share capital	Treasury shares	Share premium*	Other reserves*	Surplus reserve*	Retained profits*	Total
	RMB'000 (note 28)	RMB'000 (note 28)	RMB'000 (note 29)	RMB'000 (note 29)	RMB'000 (note 29)	RMB'000	RMB'000
At January 1, 2023	6,379,002	(398,028)	2,566,674	456,793	3,298,912	25,520,207	37,823,560
Profit for the year	-	-	-	-	-	4,302,436	4,302,436
Other comprehensive income for the year:							
Exchange differences on translation of foreign operations	-	-	-	16,094	-	-	16,094
Total comprehensive income for the year	-	-	-	16,094	-	4,302,436	4,318,530
Final 2022 dividend declared and paid	-	-	-	-	-	(1,019,873)	(1,019,873)
Shares under A share stock ownership schemes vested	-	-	-	-	-	-	-
(note 30)	-	133,442	72,087	(185,534)	-	-	19,995
Repurchase of shares under A share stock ownership schemes	-	(827,265)	-	-	-	-	(827,265)
Recognition of equity-settled share-based payments	-	-	-	165,848	-	-	165,848
(note 30)	-	-	-	(15,000)	-	-	(15,000)
Others**	-	-	-	-	-	-	-
At December 31, 2023	6,379,002	(1,091,851)	2,638,761	438,201	3,298,912	28,802,770	40,465,795
						567,291	41,033,086

Year ended December 31, 2024

	Attributable to owners of the parent						
	Share capital	Treasury shares	Share premium*	Other reserves*	Surplus reserve*	Retained profits*	Non-controlling interests
	RMB'000 (note 28)	RMB'000 (note 28)	RMB'000 (note 29)	RMB'000 (note 29)	RMB'000 (note 29)	RMB'000	RMB'000
At 1 January 2024	6,379,002	(1,091,851)	2,638,761	438,201	3,298,912	28,802,770	567,291
Profit for the year	-	-	-	-	-	6,336,527	468
Other comprehensive income for the year:							
Exchange differences on translation of foreign operations	-	-	-	(2,352)	-	-	1,728
Total comprehensive income for the year	-	-	-	(2,352)	-	6,336,527	2,196
Final 2023 dividend declared and paid	-	-	-	-	-	(1,273,768)	-
Shares under A share stock ownership schemes vested	-	-	-	-	-	-	-
(note 30)	-	91,653	(12,013)	(65,907)	-	13,733	-
Repurchase of shares under A share stock ownership schemes	-	(228,426)	-	-	-	(228,426)	-
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-
(note 30)	-	-	-	208,353	-	208,353	902
At 31 December 2024	6,379,002	(1,228,624)	2,626,748	578,295	3,298,912	33,865,529	570,389
						45,519,862	46,090,251

* These reserve accounts comprised the consolidated other reserves of RMB31,842,586,000, RMB35,178,644,000, and RMB40,369,484,000 in the consolidated statement of financial position at the end of each of the Relevant Periods, respectively.

** Others mainly represented the impact on equity resulted from the disposal and deemed disposal of subsidiaries.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended December 31,		
	Notes	2022	2023	2024
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		3,968,492	4,667,110	7,169,690
Adjustments for:				
Finance costs	8	6,491	5,905	5,559
Share of losses of associates		62,996	72,696	21,581
Dividends received from financial assets at FVTPL	5	(9,028)	(8,813)	(37,017)
Loss on disposal of property, plant and equipment	7	2,203	12,430	7,113
Depreciation of property, plant and equipment	7	579,258	717,721	749,811
Amortization of intangible assets	7	10,919	26,354	55,237
Equity-settled share-based payment expense	30	32,061	166,659	209,255
Impairment loss recognized on non-financial assets	6/7	146,684	107,217	32,538
Depreciation of right-of-use assets	7	50,334	49,862	65,771
Gain on termination of lease contracts		(6,435)	(9,378)	(7,566)
Gain on financial assets at FVTPL	5	(230,903)	(28,262)	(117,062)
Gain on disposal of subsidiaries	5	(30,916)	—	—
Gain on deemed disposal of subsidiaries	5	(325,986)	—	—
Impairment losses under expected credit loss model, net of reversal	6/7	26,284	(17,254)	(28,997)
Revenue from non-cash consideration	32(a)	—	—	(354,116)
Net foreign exchange (gain)/loss		(68,170)	2,321	(10,449)
		4,214,284	5,764,568	7,761,348

	<i>Notes</i>	Year ended December 31,		
		2022	2023	2024
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
(Increase)/decrease in other non-current assets		(49,057)	13,518	49,057
Increase in trade and bills receivables		(4,339,116)	(436,411)	(3,208,010)
Decrease/(increase) in pledged deposits		23,457	250	(3,852)
(Increase)/decrease in prepayments, other receivables and other assets .		(184,349)	362,349	255,834
(Increase)/decrease in inventories . . .		(52,677)	129,106	(135,631)
Increase in trade and other payables		1,875,579	2,342,965	3,227,787
(Decrease)/increase in contract liabilities		(32,479)	11,016	(38,298)
Increase/(decrease) in deferred income		2,920	(111,190)	186,700
Cash generated from operations		1,458,562	8,076,171	8,094,935
Income tax paid		(193,297)	(432,506)	(672,182)
Net cash flows from operating activities		1,265,265	7,643,665	7,422,753
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividends received from financial assets at FVTPL		9,028	8,813	37,017
Dividends received from an associate		162	175	7,056
Proceeds from disposal of items of property, plant and equipment		20,211	20,183	21,902
Proceeds from disposal of subsidiaries	31	36,045	—	—
Purchases of items of property, plant and equipment		(379,582)	(270,308)	(196,288)
Purchase of land use right		(53,045)	—	(27,102)
Additions to other intangible assets .		(1,559,547)	(1,213,483)	(1,745,808)
Capital injection in an associate		(303,000)	—	—
Purchases of financial assets at FVTPL		(7,589,647)	(17,086)	(622,680)
Proceeds from disposal of financial assets at FVTPL		10,209,666	2,694,020	613,917
Net cash flows from/(used in) investing activities		390,291	1,222,314	(1,911,986)

		Year ended December 31,		
	Notes	2022	2023	2024
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES				
New borrowings		1,260,000	21,100	799,909
Proceeds from borrowings from third parties	24	159,992	—	—
Capital injections from non-controlling shareholders of subsidiaries		378,863	—	—
Payments for repurchase of shares for A share incentive scheme		(398,028)	(827,265)	(228,426)
Payments for repurchase of restricted A shares		(667,770)	—	—
Interest paid to borrowings		—	(2,955)	(1,020)
Repayment of lease liabilities	16	(36,285)	(34,335)	(47,375)
Dividends paid		(1,015,543)	(1,019,873)	(1,273,768)
Repayment of borrowings		—	(1,281,100)	(799,909)
Net cash flows used in financing activities		(318,771)	(3,144,428)	(1,550,589)
NET INCREASE IN CASH AND CASH EQUIVALENTS				
Cash and cash equivalents at beginning of year		13,120,156	14,537,437	20,271,524
Effect of foreign exchange rate changes, net		80,496	12,536	7,400
CASH AND CASH EQUIVALENTS AT END OF YEAR		14,537,437	20,271,524	24,239,102
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents		14,537,437	20,271,524	24,239,102
Interest receivable		572,993	474,581	563,373
Cash and bank balances as stated in the consolidated statements of financial position		15,110,430	20,746,105	24,802,475

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		December 31,		
	Notes	2022	2023	2024
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	14	2,345,616	2,128,529	2,079,374
Intangible assets	15	1,381,850	2,334,458	3,665,564
Right-of-use assets	16	54,291	52,705	51,104
Investments in associates	17	661,117	614,746	586,362
Investments in subsidiaries	1	4,323,703	4,714,340	5,016,222
Other non-current assets	18	132,983	61,313	38,938
Financial assets at FVTPL	22	590,676	607,652	922,525
Deferred tax assets	27	41,590	43,353	39,501
Total non-current assets		9,531,826	10,557,096	12,399,590
CURRENT ASSETS				
Inventories	19	1,585,151	1,499,146	1,564,983
Trade and bills receivables	20	5,361,802	4,255,046	4,090,097
Prepayments, other receivables and other assets	21	1,680,247	1,234,897	753,114
Financial assets at FVTPL	22	2,681,199	14,124	191,358
Amounts due from subsidiaries	34	5,060,159	3,804,791	5,021,382
Cash and bank balances	23	13,329,563	19,728,155	23,202,185
Total current assets		29,698,121	30,536,159	34,823,119
CURRENT LIABILITIES				
Trade and other payables	24	1,346,591	1,529,397	2,143,877
Interest-bearing borrowings	26	1,260,943	—	—
Income tax payables		—	—	81,738
Amounts due to subsidiaries	34	3,058,652	3,548,237	3,989,192
Contract liabilities	25	28,951	8,796	40,040
Total current liabilities		5,695,137	5,086,430	6,254,847
NET CURRENT ASSETS		24,002,984	25,449,729	28,568,272
TOTAL ASSETS LESS CURRENT LIABILITIES				
		33,534,810	36,006,825	40,967,862
NON-CURRENT LIABILITIES				
Deferred income		49,970	5,000	25,998
Deferred tax liabilities	27	45,347	39,493	71,664
Total non-current liabilities		95,317	44,493	97,662
Net assets		33,439,493	35,962,332	40,870,200
EQUITY				
Share capital	28	6,379,002	6,379,002	6,379,002
Treasury shares	28	(398,028)	(1,091,851)	(1,228,624)
Reserves	29	27,458,519	30,675,181	35,719,822
Total equity		33,439,493	35,962,332	40,870,200

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Jiangsu Hengrui Pharmaceutical Co., Ltd. (the “Company”) is a joint stock company with limited liability established in Lianyungang, Jiangsu, People’s Republic of China (the “PRC”) on April 28, 1997, and subsequently listed on the Shanghai Stock Exchange (stock code: 600276) on October 18, 2000. The registered office address of the Company is No. 38 Huanghe Road, Economic and Technological Development Zone, Lianyungang, Jiangsu, the Mainland China.

During the Relevant Periods, the Company and its subsidiaries (collectively referred to as the “Group”) was principally engaged in the research and development, manufacture and sale of pharmaceutical products.

As at the date of this report, the Company had direct and indirect interests in its principal subsidiaries as below:

Name	Place and date of incorporation/ registration and place of operations	Issued ordinary/registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Jiangsu Kexin Pharmaceutical Sales Co., Ltd. 江蘇科信醫藥銷售有限公司 (note (a))* (Jiangsu Kexin) . . .	Mainland China September 13, 2004	RMB10,000,000	–	100%	Sale of pharmaceutical products
Shanghai Hengrui Pharmaceuticals Co., Ltd. 上海恒瑞醫藥有限公司 (note (a))* (Shanghai Hengrui) .	Mainland China December 4, 2001	RMB72,000,000	100%	–	Research and development, manufacturing and sale of pharmaceutical products
Shanghai Shengdi Pharmaceutical Co., Ltd. 上海盛迪醫藥有限公司 (note (a))* (Shanghai Shengdi) .	Mainland China April 28, 2014	RMB250,000,000	100%	–	Research and development, manufacturing and sale of pharmaceutical products
Suzhou Suncadia Biopharmaceuticals Biomedicine Co., Ltd. 蘇州盛迪亞生物醫藥有限公司 (note (a))* (Suzhou Suncadia) . .	Mainland China September 1, 2015	RMB100,000,000	100%	–	Research and development, manufacturing and sale of pharmaceutical products
Chengdu Suncadia Medicine Co., Ltd. 成都盛迪醫藥有限公司 (note (a))* (Chengdu Suncadia) .	Mainland China March 23, 2011	RMB822,664,900	95.93%	–	Research and development, manufacturing and sale of pharmaceutical products

Notes:

- (a) The statutory financial statements of these entities for the years ended December 31, 2022 and 2023 prepared in accordance with the Generally Accepted Accounting Principles in PRC (“PRC GAAP”) were audited by Suya Jincheng Certified Public Accountants LLP (蘇亞金誠會計師事務所(特殊普通合伙)), certified public accountants registered in the Mainland China.

- * The English names of these companies registered in the Mainland China represent the best effort made by the directors of the Company (the “Directors”) to translate the Chinese names as these companies have not been registered with any official English names.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the Relevant Periods or formed a substantial portion of the net assets of the Group.

The Company

The carrying amounts of the Company’s investments in subsidiaries are as follows:

	December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Investment, at cost	4,323,703	4,558,120	4,694,269
Deemed investment arising from share-based payments	–	156,220	321,953
Total	4,323,703	4,714,340	5,016,222

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards, which comprise all standards and interpretations as issued by the International Accounting Standards Board (“IASB”). All IFRS Accounting Standards effective for the accounting period commencing from January 1, 2024, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention except for certain financial instruments which have been measured at fair value.

Basis of consolidation

The Historical Financial Information includes the financial information of the Group for the Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

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

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

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

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

2.2 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS

The Group has not applied the following new and revised IFRS Accounting Standards, that have been issued but are not yet effective, in the Historical Financial Information. The Group intends to apply these new and revised IFRS Accounting Standards, if applicable, when they become effective.

IFRS 18	<i>Presentation and Disclosure in Financial Statements</i> ³
IFRS 19	<i>Subsidiaries without Public Accountability: Disclosures</i> ³
Amendments to IFRS 9 and IFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments</i> ²
Amendments to IFRS 9 and IFRS 7	<i>Contracts Referencing Nature-dependent Electricity</i> ²
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
Amendments to IAS 21	<i>Lack of Exchangeability</i> ¹
<i>Annual Improvements to IFRS Accounting Standards – Volume 11</i>	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 ²

¹ Effective for annual periods beginning on or after January 1, 2025

² Effective for annual periods beginning on or after January 1, 2026

³ Effective for annual/reporting periods beginning on or after January 1, 2027

⁴ No mandatory effective date yet determined but available for adoption

The application of IFRS 18 will have no impact on the consolidated statements of financial position of the Group, but will have impact on the presentation of the consolidated statements of profit or loss and other comprehensive income. Except for IFRS 18, the directors of the Company anticipate that the application of these new and revised IFRS Accounting Standards will have no material impact on the Group's financial performance and financial position in the foreseeable future.

2.3 MATERIAL ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and other comprehensive income of an associate is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognized directly in the equity of an associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's investment in the associate, except where unrealized losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investment in an associate.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Fair value measurement

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

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

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

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

- | | | |
|---------|---|---|
| Level 1 | – | based on quoted prices (unadjusted) in active markets for identical assets or liabilities |
| Level 2 | – | based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly |
| Level 3 | – | based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable |

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

Impairment of non-financial assets

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

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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

Related parties

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

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;
- or
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

Depreciation is calculated on the straight-line basis or sum-of-the-years basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives are as follows:

Leasehold improvements	Shorter of the remaining lease terms and estimated useful lives
Buildings	20 years
Electronic devices and others	3 to 5 years
Machinery	10 years
Motor vehicles	4 years

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

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

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

Intangible assets (other than goodwill)

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

Intangible assets with indefinite useful lives or intangible assets not yet available for use are tested for impairment annually or more frequently if indicators of impairment exist. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Software

Acquired software licenses are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These software licenses are stated at cost less any impairment losses and amortized over their estimated useful lives of 3 to 5 years.

Research and development expenditure

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

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

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

Leases

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

Group as a lessee

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

(a) *Right-of-use assets*

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

Plant, offices and laboratories	2 to 10 years
Leasehold land	42 to 50 years

(b) *Lease liabilities*

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

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

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

The Group applies the short-term lease recognition exemption to its short-term leases of office and warehouse (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income, and FVTPL.

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

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

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

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

Subsequent measurement

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

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

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

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

Financial assets at FVTPL

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

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

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

General approach

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

At the end of each of the Relevant Periods, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the end of each of the Relevant Periods with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 360 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

For debt investments at FVOCI, the Group applies the low credit risk simplification. At the end of each of the Relevant Periods, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. Debt investments graded in the top investment categories are considered to be low credit risk investments. It is the Group’s policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk of debt investments since origination, the allowance will be based on the lifetime ECL.

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

Debt investments at FVOCI and financial assets at amortized cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	Financial assets that are credit-impaired at the end of each of the Relevant Periods (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, or payables, as appropriate.

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

The Group's financial liabilities include trade and bills payables, financial liabilities included in other payables and accruals, and interest-bearing borrowings.

Subsequent measurement

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

Financial liabilities at amortized cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

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

Derecognition of financial liabilities

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

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

Treasury shares

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

Inventories

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

Cash and cash equivalents

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

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above.

Income tax

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

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

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

Government grants

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

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

Revenue recognition

Revenue from contracts with customers

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

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

(a) Drug sales

Revenue from the drug sales is recognized at the point in time when the Group transfer the controls of goods at a point in time and has rights to payment from the customers upon acceptance by the customers or delivery of the products.

(b) Licensing revenue

The Group's licensing revenue may contain more than one performance obligation, including grants of licenses to the intellectual property rights, agreement to provide research and development services and other deliverables. As part of the accounting for these arrangements, the Group must develop assumptions that require judgement to determine the stand-alone selling price for each performance obligation identified in the contract. In developing the stand-alone selling price for a performance obligation, the Group considers competitor pricing for a similar or identical product, market awareness of and perception of the product, expected product life and current market trends. In general, the consideration allocated to each performance obligation is recognized when the respective obligation is satisfied on acceptance of a good or a service, limited to the consideration that is not constrained. Non-refundable payments received before all of the relevant criteria for revenue recognition are satisfied are recorded as contract liabilities.

Licenses of intellectual property: Upfront non-refundable payments for licensing the Group's intellectual property are evaluated to determine if the license is distinct from the other performance obligations identified in the arrangement. For licenses determined to be distinct, the Group recognizes revenues from non-refundable, up-front fees allocated to the license at a point in time, when the license is transferred to the licensee and the licensee is reasonably able to use and benefit from the licensee.

Options to license intellectual property: Upfront non-refundable payments for options to license the Group's intellectual property are evaluated to determine if the option represents a material right and is distinct from the other performance obligations identified in the arrangement. For options determined to be a material right and distinct, the Group defers the non-refundable up-front fees allocated to the option and recognized revenues at a point in time, at the earlier of when the option is exercised and when those future goods or services are transferred or when the option period expires.

Milestone payments: At the inception of each arrangement that includes development milestone payments, the Group evaluates whether the milestones are considered probable of being reached and estimates the amount to be included in the transaction price using the most likely amount method. If it is probable that a significant revenue reversal would not occur, the associated milestone value is included in the transaction price. Milestones related to the development-based activities may include initiation of various phases of clinical trials. Due to the uncertainty involved in meeting these development-based targets, they are generally fully constrained at contract inception. The Group will assess whether the variable consideration is fully constrained in each reporting period based on the facts and circumstances surrounding the clinical trials. Upon changes to the constraint associated with the developmental milestones, variable consideration will be included in the transaction price when a significant reversal of revenue recognized is not expected to occur and allocated to the separate performance obligations. Regulatory milestones are fully constrained until the period in which those regulatory approvals are achieved due to the inherent uncertainty of the approval process. Regulatory milestones are included in the transaction price in the period in which regulatory approval is obtained.

Royalties: For arrangements that include sales-based royalties, including milestone payments based on the level of sales, and the license is deemed to be the predominant item to which the royalties relate, the Group recognizes revenue at the later of (i) when the related sales occur, and (ii) when the performance obligation to which some or all of the royalty has been allocated has been satisfied (or partially satisfied).

Other income

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

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

Contract liabilities

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

Share-based payments

The Group operates share award schemes. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value of share award refers to the fair value of the underlying ordinary shares of the Company on the respective dates of grant. Further details are included in note 30 to the Historical Financial Information.

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

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

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

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

The dilutive effect of outstanding restricted shares is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension scheme

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognized as a liability when they are approved by the shareholders in a general meeting.

Foreign currencies

The Historical Financial Information is presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

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

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

The functional currencies of certain overseas subsidiaries and associates are currencies other than RMB. As at the end of each of the Relevant Periods, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each of the Relevant Periods and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Research and development expenses

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

Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgement on the future tax treatment of certain transactions and when certain matters relating to the income taxes have not been confirmed by the local tax bureau. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation.

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Estimation uncertainty

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

Provision for expected credit losses on trade and bills receivables

The Group uses a provision matrix to calculate ECLs for trade and bills receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At the end of each of the Relevant Periods, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade and bills receivables is disclosed in note 20 to the Historical Financial Information.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each of the Relevant Periods. Indefinite life intangible assets or intangible assets not yet available for use are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Assessment of useful lives of capitalized development costs

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

Estimated useful lives and residual values of property, plant and equipment

The Group's management determines the estimated useful lives, residual values and related depreciation and amortization charges for the Group's property, plant and equipment with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the depreciation and amortization charges where useful lives are different to that of previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation and amortization charges in future periods.

Fair value measurement for unlisted investments

The Group made unlisted investments in a wide variety of companies and those investments are accounted for as financial assets at fair value through profit or loss. The fair values of those investments are determined using valuation techniques and the Group uses its judgement to select a variety of methods and makes assumptions that are mainly based on market conditions existing at the end of each of the Relevant Periods. Further details are included in note 36. Should any of the estimates and assumptions changed, it may lead to a material change in the respective fair values of these financial assets.

4. OPERATING SEGMENT INFORMATION

Operating segment information

For management purposes, the Group has only one reportable operating segment, which is research and development, manufacture and sale of pharmaceutical products. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

Geographical information

(a) Revenue from external customers

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Mainland China	20,485,862	21,911,462	24,517,344
Other countries/regions	789,409	908,323	3,467,261
Total revenue	21,275,271	22,819,785	27,984,605

(b) Non-current assets

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Mainland China	10,385,880	11,398,661	13,366,915
Other countries/regions	72,333	21,427	11,217
Total non-current assets	10,458,213	11,420,088	13,378,132

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

Information about major customers

Revenue from each major customer, including revenue from a group of entities which are known to be under common control with that customer, which accounted for 10% or more of the Group's revenue during the Relevant Periods is set out below:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Customer A	6,126,479	6,784,475	7,494,799
Customer B	2,659,723	3,150,785	3,444,493
Customer C	2,335,017	2,498,094	2,927,688

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Revenue from contracts with customers	21,275,271	22,819,785	27,984,605

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Types of goods or services			
Drug sales	21,213,026	22,377,188	25,009,582
Licensing revenue	6,442	268,371	2,700,433
Others	55,803	174,226	274,590
Total	21,275,271	22,819,785	27,984,605
Geographical markets			
Mainland China	20,485,862	21,911,462	24,517,344
Other countries/regions	789,409	908,323	3,467,261
Total	21,275,271	22,819,785	27,984,605
Timing of revenue recognition			
At a point in time	21,254,161	22,803,807	27,955,567
Over time	21,110	15,978	29,038
Total	21,275,271	22,819,785	27,984,605

The following table shows the amounts of revenue recognized in the current Relevant Periods, that were included in the contract liabilities at the beginning of the Relevant Periods and recognized from performance obligations satisfied in previous periods:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Revenue recognized that was included in contract liabilities at the beginning of the year:			
Drug sales	219,554	187,075	198,091
Total	219,554	187,075	198,091

(b) Performance obligations

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

Drug sales

The performance obligation is satisfied upon acceptance by the customers or delivery of the products. Payment is generally due within 30 to 90 days from the invoice date.

Licensing revenue

During the Relevant Periods, the Group entered into multiple license agreements with third parties (the "Licensees"), pursuant to which the Licensees shall obtain exclusive licenses for developing, manufacture, and commercializing certain innovative therapies developed by the Group in certain territories. In general, the consideration allocated to each performance obligation is recognized when the respective obligation is satisfied on acceptance of a good or a service. The Group usually receives non-refundable upfront payments in accordance with license agreements and is eligible to receive milestone payments and tiered royalty payments based on net sales in the territories.

The management of the Group expects the transaction price (not include variable consideration) allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as of the end of each of the Relevant Periods will be recognised within one year from the end of the respective periods.

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Other income			
Bank interest income	385,275	477,143	603,277
Government grants income*	287,401	498,486	394,266
Dividend income from equity investments at FVTPL	9,028	8,813	37,017
Total other income	681,704	984,442	1,034,560
Gains			
Gain on financial assets at FVTPL	230,903	28,262	117,062
Foreign exchange gains, net	93,188	7,902	–
Gain on disposal of subsidiaries (note 31)	30,916	–	–
Gain on deemed disposal of subsidiaries (note 31)	325,986	–	–
Others	8,518	13,178	23,008
Total gains	689,511	49,342	140,070
Total other income and Gains	1,371,215	1,033,784	1,174,630

* The government grants mainly represent subsidies received from the government that relate to both expenses and assets. Government grants are released to profit or loss either over the periods that the expenses for which they are intended to compensate are expensed, or over the expected useful life of the relevant asset, when all attaching conditions and requirements are complied with.

6. OTHER EXPENSES

An analysis of other expenses is as follows:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Donations	142,268	231,743	323,216
Foreign exchange losses, net	–	–	24,045
Impairment losses under expected credit loss model, net of reversal	26,284	(17,254)	(28,997)
Discount on derecognition of bills receivables . .	69,971	71,793	19,589
Loss on disposal of items of property, plant and equipment	2,203	12,430	7,113
Impairment loss recognized on non-financial assets	146,684	107,217	32,538
Others	1,852	1,067	2,645
Total other expenses	389,262	406,996	380,149

7. PROFIT BEFORE TAX

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

	Notes	Year ended December 31,		
		2022	2023	2024
		RMB'000	RMB'000	RMB'000
Cost of inventories sold*		3,459,725	3,461,716	3,736,881
Depreciation of property, plant and equipment	14	579,258	717,721	749,811
Amortization of intangible assets	15	10,919	26,354	55,237
Depreciation of right-of-use assets	16	50,334	49,862	65,771
Loss on disposal of items of property, plant and equipment	6	2,203	12,430	7,113
Donations	6	142,268	231,743	323,216
Lease payments not included in the measurement of lease liabilities	16(c)	4,388	30,838	107,814
Gain on financial assets at FVTPL	5	(230,903)	(28,262)	(117,062)
Bank interest income	5	(385,275)	(477,143)	(603,277)
Government grants income	5	(287,401)	(498,486)	(394,266)
Foreign exchange (gains)/losses, net	5/6	(93,188)	(7,902)	24,045
Dividend income from equity investments at FVTPL	5	(9,028)	(8,813)	(37,017)
Gain on deemed disposal of subsidiaries	5	(325,986)	–	–
Gain on disposal of subsidiaries	5	(30,916)	–	–
Discount on derecognition of bills receivables	6	69,971	71,793	19,589
Impairment losses recognized on non-financial assets	6	146,684	107,217	32,538
Impairment losses under expected credit model, net of reversal	6	26,284	(17,254)	(28,997)
Listing expenses		–	–	104
Auditor's remuneration		1,585	1,566	1,585
Employee benefit expenses (excluding directors', supervisors' and chief executive's remuneration (note 9))				
– Salaries, bonuses, allowances and benefits in kind		5,495,410	5,183,067	5,546,298
– Pension scheme contributions		592,118	544,154	596,691
– Equity-settled Share-based payments expenses		31,247	159,175	199,790
Total employee benefits expenses		6,118,775	5,886,396	6,342,779

* The "Cost of inventories sold" amount includes the following expenses which are also included in the respective total amounts of the items disclosed above.

Amortization of intangible assets

Depreciation of property, plant and equipment

Depreciation of right-of-use assets

Employee benefit expenses (excluding directors', supervisors' and chief executive's remuneration)

8. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Interest on borrowings	943	1,633	1,020
Interest on lease liabilities (note 16)	5,548	4,272	4,539
Total	6,491	5,905	5,559

9. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors', supervisors' and chief executive's remuneration as recorded during the Relevant Periods, disclosed pursuant to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is set out below:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Fees	300	200	200
Other emoluments:			
Salaries, bonuses, allowances and benefits in kind.	10,003	15,630	19,669
Pension scheme contributions	84	112	148
Equity-settled share-based payment expenses	814	7,484	9,465
Subtotal.	10,901	23,226	29,282
Total	11,201	23,426	29,482

During the Relevant Periods, certain shares under A share stock ownership schemes were granted to Mr. Dai Hongbin, Mr. Zhang Lianshan, Mr. Jiang Frank Ningjun, Mr. Sun Jieping, Mr. Yuan Kaihong, and Ms. Xu Yu, further details of which are included in the disclosures in note 30 to the Historical Financial Information. The fair value of such awarded shares, which has been recognized in profit or loss, was determined as at the date of grant and the amount included in the Historical Financial Information for the Relevant Periods is included in the above directors' remuneration disclosures.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the Relevant Periods are as follows:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Mr. Dong Jiahong	100	—	—
Mr. Zeng Qingsheng	—	100	100
Mr. Sun Jinyun.	—	100	100
Mr. Wang Qian.	100	—	—
Ms. Xue Shuang.	100	—	—
Total	300	200	200

Mr. Dong Jiahong was appointed as the independent non-executive director of the Company since May 2021. Mr. Wang Qian and Ms. Xue Shuang were appointed as the independent non-executive directors of the Company since May 2016, and resigned as the independent non-executive directors of the Company with effect from February 2023. Mr. Zeng Qingsheng and Mr. Sun Jinyun were appointed as the independent non-executive directors of the Company from February 2023.

(b) Directors, supervisors and the chief executives

	Fees	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Equity-settled share-based payment expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2022					
Director and chairman of the Board:					
Mr. Sun Piaoyang (<i>note (i)</i>)	—	1,624	—	—	1,624
Directors and executives:					
Mr. Dai Hongbin (<i>note (ii)</i>)	—	2,338	20	344	2,702
Mr. Zhang Lianshan (<i>note (iii)</i>) . .	—	3,097	—	287	3,384
Mr. Sun Jieping (<i>note (v)</i>)	—	2,324	31	172	2,527
Director:					
Ms. Guo Congzhao (<i>note (vi)</i>) . .	—	—	—	—	—
Supervisors:					
Mr. Xiong Guoqiang (<i>note (viii)</i>)	—	—	—	—	—
Ms. Xu Yu (<i>note (ix)</i>)	—	302	23	11	336
Mr. Dong Wei (<i>note (x)</i>)	—	—	—	—	—
Mr. Li Peichen (<i>note (xi)</i>)	—	318	10	—	328
Total	—	10,003	84	814	10,901

	Fees	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Equity-settled share-based payment expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2023					
Director and chairman of the Board:					
Mr. Sun Piaoyang (<i>note (i)</i>)	—	1,623	—	—	1,623
Directors and executives:					
Mr. Dai Hongbin (<i>note (ii)</i>)	—	3,795	26	2,018	5,839
Mr. Zhang Lianshan (<i>note (iii)</i>) . .	—	3,335	—	1,682	5,017
Mr. Jiang Frank Ningjun (<i>note (iv)</i>)	—	2,339	—	2,035	4,374
Mr. Sun Jieping (<i>note (v)</i>)	—	2,325	30	1,010	3,365
Director:					
Ms. Guo Congzhao (<i>note (vi)</i>) . .	—	—	—	—	—
Supervisors:					
Mr. Yuan Kaihong (<i>note (vii)</i>) . .	—	1,867	31	672	2,570
Mr. Xiong Guoqiang (<i>note (viii)</i>)	—	—	—	—	—
Ms. Xu Yu (<i>note (ix)</i>)	—	346	25	67	438
Mr. Dong Wei (<i>note (x)</i>)	—	—	—	—	—
Total	—	15,630	112	7,484	23,226

	Fees	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Equity-settled share-based payment expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2024					
Director and chairman of the Board:					
Mr. Sun Piaoyang (<i>note (i)</i>)	—	1,653	—	—	1,653
Directors and executives:					
Mr. Dai Hongbin (<i>note (ii)</i>)	—	4,842	35	2,556	7,433
Mr. Zhang Lianshan (<i>note (iii)</i>)	—	3,900	—	2,151	6,051
Mr. Jiang Frank Ningjun (<i>note (iv)</i>)	—	4,253	—	2,531	6,784
Mr. Sun Jieping (<i>note (v)</i>)	—	2,450	30	1,344	3,824
Director:					
Ms. Guo Congzhao (<i>note (vi)</i>)	—	—	—	—	—
Supervisors:					
Mr. Yuan Kaihong (<i>note (vii)</i>)	—	1,892	34	803	2,729
Mr. Xiong Guoqiang (<i>note (viii)</i>)	—	325	20	—	345
Ms. Xu Yu (<i>note (ix)</i>)	—	354	29	80	463
Total	—	19,669	148	9,465	29,282

There was no arrangement under which directors or the chief executive waived or agreed to waive any remuneration during the Relevant Periods, except that the director's fee of Dong Jiahong for 2023 and 2024 were waived with his authorisation.

Notes:

- (i) Mr. Sun Piaoyang was appointed as the director of the Company since April 1997 and the chairman of the Board with effect from August 2021.
- (ii) Mr. Dai Hongbin was appointed as the director of the Company with effect from January 2020 and the general manager (president) from May 2022 to April 2025.
- (iii) Mr. Zhang Lianshan was appointed as the director of the Company with effect from April 2012.
- (iv) Mr. Jiang Frank Ningjun was appointed as the director of the Company with effect from February 2023.
- (v) Mr. Sun Jieping was appointed as the director of the Company with effect from January 2020.
- (vi) Ms. Guo Congzhao was appointed as the director of the Company with effect from January 2020.
- (vii) Mr. Yuan Kaihong was appointed as the supervisor of the Company with effect from February 2023.
- (viii) Mr. Xiong Guoqiang was appointed as the supervisor of the Company with effect from April 2010.
- (ix) Ms. Xu Yu was appointed as the supervisor of the Company with effect from July 2022.
- (x) Mr. Dong Wei was appointed as the supervisor of the Company with effect from December 2003 and resigned as the supervisor with effective from February 2023.
- (xi) Mr. Li Peichen was appointed as the supervisor of the Company with effect from April 2013 and resigned as the supervisor with effective from July 2022.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods included 1, 3, and 3 directors, respectively, details of whose remuneration are set out in note 9 above. Details of the remuneration for the remaining 4, 2 and 2 highest paid employees who were neither a director nor chief executive of the Company during the Relevant Periods are as follows:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Salaries, bonuses, allowances and benefits in kind	11,544	4,767	6,031
Pension scheme contributions	37	–	–
Equity-settled share-based payment expenses . . .	230	2,692	3,494
Total	11,811	7,459	9,525

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended December 31,		
	2022	2023	2024
HK\$3,000,001 to HK\$3,500,000	3	–	–
HK\$3,500,001 to HK\$4,000,000	1	–	–
HK\$4,000,001 to HK\$4,500,000	–	2	–
HK\$4,500,001 to HK\$5,000,000	–	–	2
Total	4	2	2

During the Relevant Periods, certain shares under A share stock ownership schemes were granted to 1, 2 and 2 non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 30 to the Historical Financial Information. The fair value of such awarded shares, which has been recognized in profit or loss over the vesting period, was determined as at the date of grant and the amounts included in the Historical Financial Information for the Relevant Periods are included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

11. INCOME TAX

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.

Mainland China

The provision for corporate income tax in Mainland China is based on the statutory rate of 25% of the taxable profits determined in accordance with the Enterprise Income Tax Law, which was approved and became effective on January 1, 2008, except for the Company and certain subsidiaries of the Group in Mainland China which are granted tax concession and are taxed at preferential tax rates.

The Company, Chengdu Suncadia, Shanghai Senhui Pharmaceutical Co., Ltd. (“上海森輝醫藥有限公司”), Fujian Shengdi Pharmaceutical Co., Ltd. (“福建盛迪醫藥有限公司”), Shanghai Hengrui, Shanghai Shengdi, Tianjin Hengrui Pharmaceutical Co., Ltd. (“天津恒瑞醫藥有限公司”), Chengdu Xinyue Pharmaceutical Co., Ltd. (“成都新越醫藥有限公司”) and Suzhou Suncadia were qualified as High and New Technology Enterprises to enjoy a preferential income tax rate from 2022 to 2024.

Shandong Suncadia Medicine Co., Ltd. (“山東盛迪醫藥有限公司”) and Jiangsu Original Drug Research and Development Co., Ltd. (“江蘇原創藥物研發有限公司”) were qualified as High and New Technology Enterprises to enjoy a preferential income tax rate of 15% from 2023 to 2025.

In addition, pursuant to Caishui [2020] No. 31 “Notice of Preferential Income Tax Policies for Enterprises in Hainan Free Trade Port (關於海南自由貿易港企業所得稅優惠政策的通知), as for the subsidiary of the Company, Hainan Hengrui Pharmaceutical Co., Ltd. (“海南恒瑞醫藥有限公司”), which is incorporated in Hainan Free Trade Port and engaged in stipulated encouraged business, are permitted to enjoy a preferential enterprise income tax rate of 15% subject to certain qualification requirements until December 31, 2024.

United States

The subsidiaries incorporated in United States are subject to statutory federal corporate income tax at a rate of 21%. They are also subject to the state income tax which generally ranges from 1% to 10%.

The Group is within the scope of the Pillar Two model rules. The Group has applied the mandatory exception to recognising and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes, and will account for the Pillar Two income taxes as current tax when incurred. Pillar Two legislation has been enacted or substantively enacted but not yet in effect as at December 31, 2024 in certain jurisdictions in which the Group operates.

The Group has assessed its potential exposure based on the information available regarding the financial performance of the Group in the year ended December 31, 2024. As such, it may not be entirely representative of future circumstances. Based on the assessment, the Group should benefit from the transitional safe harbour for most of the jurisdictions in which the Group operates. As such, the Group does not expect to have any material Pillar Two exposure (including current tax) arising in these jurisdictions during the year ended December 31, 2024.

The income tax expense of the Group for the Relevant Periods is analysed as follows:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Current income tax	175,596	487,760	855,836
Deferred income tax	(22,245)	(98,471)	(23,141)
Total	153,351	389,289	832,695

A reconciliation of the tax expense applicable to profit before tax at the preferential tax rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, are as follows:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Profit before tax	3,968,492	4,667,110	7,169,690
Tax at the preferential tax rate of 15%.	595,274	700,066	1,075,453
Different tax rates enacted by local authorities.	35,121	(90,173)	(51,755)
Adjustments in respect of current income tax of previous periods	1,631	60,912	29,205
Expenses not deductible for tax	6,391	212,192	452,247
Additional deductible allowance for qualified research and development costs.	(548,070)	(601,220)	(828,163)
Tax losses not recognized.	75,087	107,512	155,708
Tax losses utilized from previous periods	(12,083)	—	—
Tax charge at the Group's effective rate	153,351	389,289	832,695

12. DIVIDENDS

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Final dividends in respect of the previous year, declared or paid during the year (tax inclusive)	1,020,466	1,019,873	1,273,768

The final dividends of RMB1.6, RMB1.6 and RMB2.0 (inclusive of tax) for every 10 ordinary shares to all shareholders whose names were registered in the register of members and were entitled to participate in the distribution on the record date in respect of the years ended December 31, 2021, 2022 and 2023 were approved by the Annual General Meeting of the Company.

In March 2025, the Board proposed the cash dividend of RMB1,275,450,000 to holders of the Company's A shares on the relevant record date, which was approved by shareholders of the Company on April 28, 2025.

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

The calculation of the basic earnings per share amounts is based on the profit attributable to ordinary equity holders of the parent, adjusted to reflect the cash dividends distributed to the expected vested shares under A share stock ownership schemes, and the weighted average number of ordinary shares outstanding (excluding treasury shares) during the Relevant Periods.

The calculation of the diluted earnings per share amounts is based on the profit attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares outstanding during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed conversion of all dilutive potential ordinary shares arising from A share stock ownership schemes into ordinary shares.

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

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Earnings			
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	3,906,374	4,302,436	6,336,527
Less: Cash dividends distributed to the expected vested shares under A share stock ownership schemes.	(1,742)	(3,416)	(5,078)
Adjusted profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	3,904,632	4,299,020	6,331,449
Cash dividends distributed to the expected vested shares under A share stock ownership schemes.	1,742	3,416	5,078
Adjusted profit attributable to ordinary equity holders of the parent, used in the diluted earnings per share calculation	3,906,374	4,302,436	6,336,527

	Year ended December 31,		
	2022	2023	2024
Shares			
Weighted average number of ordinary shares outstanding during the year, used in the basic earnings per share calculation	6,375,564,484	6,357,765,527	6,350,096,645
Effect of dilution – potential ordinary shares arising from A share stock ownership schemes .	187,581	5,042,440	7,035,954
Total	<u>6,375,752,065</u>	<u>6,362,807,967</u>	<u>6,357,132,599</u>

14. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Electronic devices and others	Machinery	Motor vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2022							
At 1 January 2022							
Cost	2,699,607	186,684	4,788,745	144,808	326,552	1,659,022	9,805,418
Accumulated depreciation	(638,557)	(130,972)	(2,467,331)	(120,113)	(17,159)	–	(3,374,132)
Net carrying amount . .	<u>2,061,050</u>	<u>55,712</u>	<u>2,321,414</u>	<u>24,695</u>	<u>309,393</u>	<u>1,659,022</u>	<u>6,431,286</u>
At January 1, 2022, net of accumulated depreciation and impairment	2,061,050	55,712	2,321,414	24,695	309,393	1,659,022	6,431,286
Additions	41,677	16,073	498,943	534	127,449	535,260	1,219,936
Transfers	841,595	11,802	147,300	387	–	(1,001,084)	–
Depreciation provided during the year	(136,000)	(21,197)	(352,744)	(7,481)	(61,836)	–	(579,258)
Disposals	–	(323)	(34,315)	(509)	–	–	(35,147)
Disposals of subsidiaries .	<u>(41,341)</u>	<u>(3,241)</u>	<u>(40,873)</u>	<u>–</u>	<u>(3,871)</u>	<u>–</u>	<u>(89,326)</u>
At December 31, 2022, net of accumulated depreciation	<u>2,766,981</u>	<u>58,826</u>	<u>2,539,725</u>	<u>17,626</u>	<u>371,135</u>	<u>1,193,198</u>	<u>6,947,491</u>
At 31 December 2022							
Cost	3,540,704	208,654	5,342,467	132,890	450,129	1,193,198	10,868,042
Accumulated depreciation	<u>(773,723)</u>	<u>(149,828)</u>	<u>(2,802,742)</u>	<u>(115,264)</u>	<u>(78,994)</u>	<u>–</u>	<u>(3,920,551)</u>
Net carrying amount . .	<u>2,766,981</u>	<u>58,826</u>	<u>2,539,725</u>	<u>17,626</u>	<u>371,135</u>	<u>1,193,198</u>	<u>6,947,491</u>

	Buildings	Electronic devices and others	Machinery	Motor vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2023							
At January 1, 2023							
Cost	3,540,704	208,654	5,342,467	132,890	450,129	1,193,198	10,868,042
Accumulated depreciation	(773,723)	(149,828)	(2,802,742)	(115,264)	(78,994)	–	(3,920,551)
Net carrying amount . .	2,766,981	58,826	2,539,725	17,626	371,135	1,193,198	6,947,491
At January 1, 2023, net of accumulated depreciation and impairment	2,766,981	58,826	2,539,725	17,626	371,135	1,193,198	6,947,491
Additions	–	26,272	194,966	6,782	54,183	423,255	705,458
Transfers	339,866	1,401	173,342	849	–	(515,458)	–
Depreciation provided during the year	(203,811)	(27,838)	(390,315)	(6,455)	(89,302)	–	(717,721)
Disposals	(21,863)	(259)	(23,151)	(1,491)	–	–	(46,764)
At December 31, 2023, net of accumulated depreciation	2,881,173	58,402	2,494,567	17,311	336,016	1,100,995	6,888,464
At December 31, 2023							
Cost	3,853,773	231,893	5,620,269	116,858	504,312	1,100,995	11,428,100
Accumulated depreciation	(972,600)	(173,491)	(3,125,702)	(99,547)	(168,296)	–	(4,539,636)
Net carrying amount . .	2,881,173	58,402	2,494,567	17,311	336,016	1,100,995	6,888,464
	Buildings	Electronic devices and others	Machinery	Motor vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2024							
At 1 January 2024							
Cost.	3,853,773	231,893	5,620,269	116,858	504,312	1,100,995	11,428,100
Accumulated depreciation	(972,600)	(173,491)	(3,125,702)	(99,547)	(168,296)	–	(4,539,636)
Net carrying amount . .	2,881,173	58,402	2,494,567	17,311	336,016	1,100,995	6,888,464
At 1 January 2024, net of accumulated depreciation and impairment	2,881,173	58,402	2,494,567	17,311	336,016	1,100,995	6,888,464
Additions	11,417	18,880	59,475	9,519	26,826	859,325	985,442
Transfers	111,656	5,322	148,648	577	6,591	(272,794)	–
Depreciation provided during the year	(179,323)	(19,610)	(449,158)	(6,930)	(94,790)	–	(749,811)
Disposals	(17)	(552)	(26,145)	(2,300)	–	–	(29,014)
Exchange realignment . .	–	19	(958)	–	–	–	(939)
At December 31, 2024, net of accumulated depreciation	2,824,906	62,461	2,226,429	18,177	274,643	1,687,526	7,094,142
At 31 December 2024							
Cost.	3,974,560	251,012	5,744,341	108,412	537,729	1,687,526	12,303,580
Accumulated depreciation	(1,149,654)	(188,551)	(3,517,912)	(90,235)	(263,086)	–	(5,209,438)
Net carrying amount . .	2,824,906	62,461	2,226,429	18,177	274,643	1,687,526	7,094,142

As at December 31, 2024, the Group has not obtained the certificates for certain of the buildings with an aggregate net carrying amount of approximately RMB1,024,689,000. The directors were of the opinion that the aforesaid matter did not have any significant impact on the Group's financial position as at December 31, 2024.

The Company

	Buildings	Electronic devices and others	Machinery	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2022						
At 1 January 2022						
Cost	1,334,850	60,631	2,796,979	91,985	314,545	4,598,990
Accumulated depreciation	(427,083)	(42,785)	(1,613,962)	(85,406)	–	(2,169,236)
Net carrying amount . .	907,767	17,846	1,183,017	6,579	314,545	2,429,754
At January 1, 2022, net of accumulated depreciation	907,767	17,846	1,183,017	6,579	314,545	2,429,754
Additions	–	14,021	119,505	174	37,816	171,516
Transfers	241,409	–	5,607	–	(247,016)	–
Depreciation provided during the year	(60,267)	(7,726)	(184,189)	(977)	–	(253,159)
Disposals	–	(34)	(1,968)	(493)	–	(2,495)
At December 31, 2022, net of accumulated depreciation	1,088,909	24,107	1,121,972	5,283	105,345	2,345,616
At 31 December 2022						
Cost	1,576,259	73,185	2,901,019	80,601	105,345	4,736,409
Accumulated depreciation	(487,350)	(49,078)	(1,779,047)	(75,318)	–	(2,390,793)
Net carrying amount . .	1,088,909	24,107	1,121,972	5,283	105,345	2,345,616
	Buildings	Electronic devices and others	Machinery	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2023						
At 1 January 2023						
Cost	1,576,259	73,185	2,901,019	80,601	105,345	4,736,409
Accumulated depreciation	(487,350)	(49,078)	(1,779,047)	(75,318)	–	(2,390,793)
Net carrying amount . .	1,088,909	24,107	1,121,972	5,283	105,345	2,345,616
At January 1, 2023, net of accumulated depreciation	1,088,909	24,107	1,121,972	5,283	105,345	2,345,616
Additions	–	12,551	23,964	1,237	52,933	90,685
Transfers	102,602	–	51,869	–	(154,471)	–
Depreciation provided during the year	(71,260)	(14,858)	(212,782)	(1,059)	–	(299,959)
Disposals	–	(137)	(6,799)	(877)	–	(7,813)
At December 31, 2023, net of accumulated depreciation	1,120,251	21,663	978,224	4,584	3,807	2,128,529
At 31 December 2023						
Cost	1,678,861	85,599	2,970,053	80,961	3,807	4,819,281
Accumulated depreciation	(558,610)	(63,936)	(1,991,829)	(76,377)	–	(2,690,752)
Net carrying amount . .	1,120,251	21,663	978,224	4,584	3,807	2,128,529

	Buildings	Electronic devices and others	Machinery	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2024						
At 1 January 2024						
Cost	1,678,861	85,599	2,970,053	80,961	3,807	4,819,281
Accumulated depreciation	(558,610)	(63,936)	(1,991,829)	(76,377)	–	(2,690,752)
Net carrying amount . .	<u>1,120,251</u>	<u>21,663</u>	<u>978,224</u>	<u>4,584</u>	<u>3,807</u>	<u>2,128,529</u>
At January 1, 2024, net of accumulated depreciation	1,120,251	21,663	978,224	4,584	3,807	2,128,529
Additions	–	10,436	20,246	2,187	196,170	229,039
Transfers	47,486	–	32,789	–	(80,275)	–
Depreciation provided during the year	(76,053)	(9,191)	(186,098)	(1,008)	–	(272,350)
Disposals	(17)	(358)	(3,652)	(1,817)	–	(5,844)
At December 31, 2024, net of accumulated depreciation	<u>1,091,667</u>	<u>22,550</u>	<u>841,509</u>	<u>3,946</u>	<u>119,702</u>	<u>2,079,374</u>
At 31 December 2024						
Cost	1,726,306	91,858	2,942,365	48,796	119,702	4,929,027
Accumulated depreciation	(634,639)	(69,308)	(2,100,856)	(44,850)	–	(2,849,653)
Net carrying amount . .	<u>1,091,667</u>	<u>22,550</u>	<u>841,509</u>	<u>3,946</u>	<u>119,702</u>	<u>2,079,374</u>

15. INTANGIBLE ASSETS

The Group

	Software	Capitalized development costs	Total
	RMB'000	RMB'000	RMB'000
December 31, 2022			
At January 1, 2022			
Cost	13,477	262,895	276,372
Accumulated amortization and impairment . .	(2,508)	(194)	(2,702)
Net carrying amount	<u>10,969</u>	<u>262,701</u>	<u>273,670</u>
At January 1, 2022, net of accumulated amortization and impairment	10,969	262,701	273,670
Additions	11,422	1,490,107	1,501,529
Decreases	–	(32,816)	(32,816)
Disposals of subsidiaries	(785)	–	(785)
Amortization provided during the year	(8,628)	(2,291)	(10,919)
At December 31, 2022, net of accumulated amortization and impairment	<u>12,978</u>	<u>1,717,701</u>	<u>1,730,679</u>
At December 31, 2022			
Cost	23,668	1,720,186	1,743,854
Accumulated amortization and impairment . .	(10,690)	(2,485)	(13,175)
Net carrying amount	<u>12,978</u>	<u>1,717,701</u>	<u>1,730,679</u>

	Software	Exclusive distribution rights	Capitalized development costs	Total
	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2023				
At January 1, 2023				
Cost	23,668	–	1,720,186	1,743,854
Accumulated amortization and impairment	(10,690)	–	(2,485)	(13,175)
Net carrying amount	12,978	–	1,717,701	1,730,679
At January 1, 2023, net of accumulated amortization and impairment	12,978	–	1,717,701	1,730,679
Additions	7,929	9,434	1,313,635	1,330,998
Decreases	–	–	(117,515)	(117,515)
Amortization provided during the year	(5,285)	(157)	(20,912)	(26,354)
At December 31, 2023, net of accumulated amortization and impairment	15,622	9,277	2,892,909	2,917,808
At December 31, 2023				
Cost	31,597	9,434	2,916,306	2,957,337
Accumulated amortization and impairment	(15,975)	(157)	(23,397)	(39,529)
Net carrying amount	15,622	9,277	2,892,909	2,917,808
	Software	Exclusive distribution rights	Capitalized development costs	Total
	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2024				
At January 1, 2024				
Cost	31,597	9,434	2,916,306	2,957,337
Accumulated amortization and impairment	(15,975)	(157)	(23,397)	(39,529)
Net carrying amount	15,622	9,277	2,892,909	2,917,808
At January 1, 2024, net of accumulated amortization and impairment	15,622	9,277	2,892,909	2,917,808
Additions	13,140	35,000	1,732,707	1,780,847
Decreases	–	–	(87,124)	(87,124)
Exchange realignment	(11)	–	–	(11)
Amortization provided during the year	(3,829)	(2,110)	(49,298)	(55,237)
At December 31, 2024, net of accumulated amortization and impairment	24,922	42,167	4,489,194	4,556,283
At December 31, 2024				
Cost	44,715	44,434	4,561,889	4,651,038
Accumulated amortization and impairment	(19,793)	(2,267)	(72,695)	(94,755)
Net carrying amount	24,922	42,167	4,489,194	4,556,283

The Company

	Software	Capitalized development costs	Total
	RMB'000	RMB'000	RMB'000
December 31, 2022			
At January 1, 2022			
Cost	6,136	157,053	163,189
Accumulated amortization and impairment . . .	(630)	(194)	(824)
Net carrying amount	5,506	156,859	162,365
At January 1, 2022, net of accumulated amortization and impairment	5,506	156,859	162,365
Additions	10,717	1,250,024	1,260,741
Decreases	—	(32,816)	(32,816)
Amortization provided during the year	(6,149)	(2,291)	(8,440)
At December 31, 2022, net of accumulated amortization and impairment	10,074	1,371,776	1,381,850
At December 31, 2022			
Cost	16,853	1,374,261	1,391,114
Accumulated amortization and impairment . . .	(6,779)	(2,485)	(9,264)
Net carrying amount	10,074	1,371,776	1,381,850

	Software	Exclusive distribution rights	Capitalized development costs	Total
	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2023				
At January 1, 2023				
Cost	16,853	—	1,374,261	1,391,114
Accumulated amortization and impairment	(6,779)	—	(2,485)	(9,264)
Net carrying amount	10,074	—	1,371,776	1,381,850
At January 1, 2023, net of accumulated amortization and impairment	10,074	—	1,371,776	1,381,850
Additions	1,865	9,434	1,082,279	1,093,578
Decreases	—	—	(117,515)	(117,515)
Amortization provided during the year	(2,386)	(157)	(20,912)	(23,455)
At December 31, 2023, net of accumulated amortization and impairment	9,553	9,277	2,315,628	2,334,458
At December 31, 2023				
Cost	18,719	9,434	2,340,439	2,368,592
Accumulated amortization and impairment	(9,166)	(157)	(24,811)	(34,134)
Net carrying amount	9,553	9,277	2,315,628	2,334,458

	Software	Exclusive distribution rights	Capitalized development costs	Total
	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2024				
At January 1, 2024				
Cost	18,719	9,434	2,340,439	2,368,592
Accumulated amortization and impairment	(9,166)	(157)	(24,811)	(34,134)
Net carrying amount	<u>9,553</u>	<u>9,277</u>	<u>2,315,628</u>	<u>2,334,458</u>
At January 1, 2024, net of accumulated amortization and impairment	9,553	9,277	2,315,628	2,334,458
Additions	6,017	35,000	1,420,391	1,461,408
Disposals	–	–	(87,124)	(87,124)
Amortization provided during the year	<u>(752)</u>	<u>(2,110)</u>	<u>(40,316)</u>	<u>(43,178)</u>
At December 31, 2024, net of accumulated amortization and impairment	<u>14,818</u>	<u>42,167</u>	<u>3,608,579</u>	<u>3,665,564</u>
At December 31, 2024				
Cost	24,735	44,434	3,673,706	3,742,875
Accumulated amortization and impairment	(9,917)	(2,267)	(65,127)	(77,311)
Net carrying amount	<u>14,818</u>	<u>42,167</u>	<u>3,608,579</u>	<u>3,665,564</u>

Included in intangible assets, capitalized development costs not yet available for use and not subject to amortization were RMB1,681,034,000, RMB2,492,549,000, and RMB3,837,559,000 as at December 31, 2022, December 31, 2023 and December 31, 2024, respectively.

Intangible assets not available for use are tested annually for impairment, with the key assumptions including the discount rate and the estimated revenue to be generated by the in-development drug, or more frequently if events or changes in circumstances indicate that they might be impaired. Based on the result of annual impairment test, the recoverable amount of capitalized development costs would have exceeded their carrying amount (headroom) by more than 200% as at December 31, 2022, December 31, 2023 and December 31, 2024.

The table below sets forth the key assumptions used in the intangible assets' impairment test, including the discount rate and expected annualized compound revenue growth rate of drug candidates in Phase III clinical trials, as of December 31, 2022, 2023 and 2024:

	December 31,		
	2022	2023	2024
Pre-tax discount rate	11.10%	11.13%	10.11%
Average revenue growth rate	29.95%	34.88%	37.46%

The Group have performed a sensitivity test with key assumptions of discount rate and expected revenue. Should the discount rate increase by 1% or expected revenue decrease by 10%, the headroom would decrease no more than 20% as at December 31, 2022, December 31, 2023 and December 31, 2024.

The management has considered and assessed reasonably possible changes for key assumptions and has not identified any instances that could cause the carrying amount of capitalized development costs to exceed the recoverable amount as at December 31, 2022, December 31, 2023 and December 31, 2024.

16. LEASES

The Group as a lessee

The Group has lease contracts for various items of plant, offices and laboratories, and leasehold land. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 42 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of plant, offices and laboratory generally have lease term between 2 and 10 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

The Company has leasehold land. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 42 to 50 years, and no ongoing payments will be made under the terms of these land leases.

(a) Right-of-use assets

The carrying amounts of right-of-use assets and the movements during the Relevant Periods are as follows:

The Group

	Plant, offices and laboratories	Leasehold land	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2022	153,710	428,767	582,477
New leases	30,064	53,045	83,109
Disposals of subsidiaries	(44,323)	–	(44,323)
Termination	(1,298)	–	(1,298)
Depreciation charge	(38,772)	(11,562)	(50,334)
At December 31, 2022	99,381	470,250	569,631
As at January 1, 2023	99,381	470,250	569,631
New leases	22,692	–	22,692
Termination	(6,934)	–	(6,934)
Depreciation charge	(38,120)	(11,742)	(49,862)
At December 31, 2023	77,019	458,508	535,527
At January 1, 2024	77,019	458,508	535,527
New leases	86,674	27,102	113,776
Termination/modification	(1,286)	–	(1,286)
Depreciation charge	(53,744)	(12,027)	(65,771)
As at 31 December 2024	108,663	473,583	582,246

The Company

	Leasehold land
	RMB'000
At January 1, 2022	55,964
Depreciation charge	(1,673)
At December 31, 2022	54,291
As at 1 January 2023	54,291
Depreciation charge	(1,586)
At December 31, 2023	52,705
At January 1, 2024	52,705
Depreciation charge	(1,601)
As at 31 December 2024	51,104

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the Relevant Periods are as follows:

	December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Carrying amount at 1 January	151,589	98,861	75,176
New leases	30,064	22,692	86,674
Disposals of subsidiaries	(44,323)	—	—
Termination/modification	(7,732)	(16,314)	(8,852)
Accretion of interest recognized during the year .	5,548	4,272	4,539
Lease payments	(36,285)	(34,335)	(47,375)
Carrying amount at 31 December	98,861	75,176	110,162
Analysed into:			
Current portion	—	—	41,126
Non-current portion	98,861	75,176	69,036
Total	98,861	75,176	110,162

The maturity analysis of lease liabilities is disclosed in note 37 to the Historical Financial Information.

(c) The amounts recognized in profit or loss of the Group in relation to leases are as follows:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Expenses relating to short-term leases	4,388	30,838	107,814
Interest on lease liabilities	5,548	4,272	4,539
Depreciation charge of right-of-use assets	50,334	49,862	65,771
Total	60,270	84,972	178,124

(d) The total cash outflow for leases is disclosed in notes 32(c) to the Historical Financial Information.

17. INVESTMENT IN ASSOCIATES

The Group

	December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Share of net assets	767,862	694,991	666,354

The Group's trade receivable and payable balances with the associates are disclosed in note 34 to the Historical Financial Information.

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

	December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Share of the associates' loss and total comprehensive loss for the year	(62,996)	(72,696)	(21,581)
Aggregate carrying amount of the Group's investments in the associates	767,862	694,991	666,354

The Company

	December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Share of net assets	661,117	614,746	586,362

The following table illustrates the aggregate financial information of the Company's associates that are not individually material:

	December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Share of the associates' loss and total comprehensive loss for the year	(38,169)	(46,196)	(21,328)
Aggregate carrying amount of the Company's investments in the associates	661,117	614,746	586,362

18. OTHER NON-CURRENT ASSETS

The Group

	December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Prepayments for land use rights	220,186	206,668	206,262
Prepayments for property, plant and equipment . .	103,307	127,573	272,845
Prepayments for in-licenses*	119,057	49,057	—
Total	442,550	383,298	479,107

The Company

	December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Prepayments for property, plant and equipment . .	13,926	12,256	38,938
Prepayments for in-licenses*	119,057	49,057	—
Total	132,983	61,313	38,938

* Included in the prepayments for in-licenses, in August 2021, the Company entered into an exclusive commercialization and co-development agreement with Dalian Wanchunbulin Pharmaceuticals Ltd. (“Dalian Wanchun”), pursuant to which, the Company was granted exclusive rights to commercialize and co-develop certain products in Mainland China, Hong Kong, Macau and Taiwan. In September 2021, the Company paid the first instalment of RMB200,000,000 to Dalian Wanchun. As at the end of each of the Relevant Periods, considering that Dalian Wanchun failed to obtain the new drug application approval in March 2023 and the progress of subsequent negotiations between the two parties, impairment of RMB130,000,000, RMB200,000,000 and Nil, respectively, were recognized on such upfront payment.

19. INVENTORIES

The Group

	December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Raw materials	871,513	753,759	711,539
Work in progress	402,613	405,842	435,842
Finished goods	1,149,527	1,146,124	1,260,530
Contract costs	26,922	8,301	9,208
Total	<u>2,450,575</u>	<u>2,314,026</u>	<u>2,417,119</u>

The Company

	December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Raw materials	438,851	421,064	396,306
Work in progress	239,808	229,754	204,355
Finished goods	906,492	848,328	964,322
Total	<u>1,585,151</u>	<u>1,499,146</u>	<u>1,564,983</u>

20. TRADE AND BILLS RECEIVABLES

The Group

	December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Trade receivables	5,989,439	5,276,769	4,968,479
Bills receivables	2,450,074	940,413	1,244,598
Impairment	(98,042)	(82,275)	(53,607)
Total	<u>8,341,471</u>	<u>6,134,907</u>	<u>6,159,470</u>

The Company

	December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Trade receivables	3,894,270	3,671,524	3,382,438
Bills receivables	1,532,626	638,567	745,957
Impairment	(65,094)	(55,045)	(38,298)
Total	<u>5,361,802</u>	<u>4,255,046</u>	<u>4,090,097</u>

The Group's trade terms with its partly customers are on credit, except for new customers, where payment in advance is normally required. The credit period is generally 30 to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to diversified customers, the analysis of concentrations of credit risk is set out in note 37. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. As at the end of each of the Relevant Periods, bills receivable of RMB295,201,000, RMB273,302,000 and nil, respectively, were pledged as collateral for the Group's bills payable. Trade and bills receivables are non-interest-bearing.

Included in the Group's trade and bills receivables are amounts due from the Group's associates of nil, RMB24,193,000 and RMB65,255,000, respectively, at the end of each of the Relevant Periods, which are repayable on credit terms similar to those offered to other customers of the Group.

An ageing analysis of the trade and bills receivables as at the end of each of the Relevant Periods, based on the invoice date and net of loss allowance, is as follows:

The Group

	December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Current	7,786,353	5,529,352	5,558,730
Past due within 1 year	544,862	604,080	599,744
Past due 1 year to 2 years	6,133	212	908
Past due 2 years to 3 years	4,123	1,263	88
Total	<u>8,341,471</u>	<u>6,134,907</u>	<u>6,159,470</u>

The Company

	December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Current	5,083,413	3,914,319	3,642,642
Past due within 1 year	268,245	339,312	446,995
Past due 1 year to 2 years	6,128	154	372
Past due 2 years to 3 years	4,016	1,261	88
Total	<u>5,361,802</u>	<u>4,255,046</u>	<u>4,090,097</u>

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

The Group

	December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
At beginning of year	72,029	98,042	82,275
Impairment losses recognized/(reversed), net . . .	26,013	(15,767)	(28,668)
At end of year	98,042	82,275	53,607

The Company

	December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
At beginning of year	55,335	65,094	55,045
Impairment losses recognized/(reversed), net . . .	9,759	(10,049)	(16,747)
At end of year	65,094	55,045	38,298

An impairment analysis is performed at the end of each of the Relevant Periods using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the end of each of the Relevant Periods about past events, current conditions and forecasts of future economic conditions.

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

The Group

At December 31, 2022

	Current	Past due				Total
		Less than 1 year	1-2 years	2-3 years	Over 3 years	
Expected credit loss rate	1.00%	5.00%	30.00%	70.00%	100.00%	1.64%
Gross carrying amount (RMB'000).	5,390,180	573,539	8,762	13,742	3,216	5,989,439
Expected credit losses (RMB'000).	53,901	28,677	2,629	9,619	3,216	98,042

At December 31, 2023

	Current	Past due				Total
		Less than 1 year	1-2 years	2-3 years	Over 3 years	
Expected credit loss rate	1.00%	5.00%	30.00%	70.00%	100.00%	1.56%
Gross carrying amount (RMB'000).	4,635,292	635,873	303	4,212	1,089	5,276,769
Expected credit losses (RMB'000).	46,353	31,793	91	2,949	1,089	82,275

At December 31, 2024

	Current	Past due				Total
		Less than 1 year	1-2 years	2-3 years	Over 3 years	
Expected credit loss rate	0.55%	4.58%	20.00%	60.00%	100.00%	1.08%
Gross carrying amount (RMB'000).	4,337,947	628,550	1,135	220	627	4,968,479
Expected credit losses (RMB'000).	23,815	28,806	227	132	627	53,607

The Company

At December 31, 2022

	Current	Past due				Total
		Less than 1 year	1-2 years	2-3 years	Over 3 years	
Expected credit loss rate	1.00%	5.00%	30.00%	70.00%	100.00%	1.67%
Gross carrying amount (RMB'000).	3,586,654	282,363	8,754	13,387	3,112	3,894,270
Expected credit losses (RMB'000).	35,867	14,118	2,626	9,371	3,112	65,094

At December 31, 2023

	Current	Past due				Total
		Less than 1 year	1-2 years	2-3 years	Over 3 years	
Expected credit loss rate	1.00%	5.00%	30.00%	70.00%	100.00%	1.50%
Gross carrying amount (RMB'000).	3,308,840	357,171	220	4,204	1,089	3,671,524
Expected credit losses (RMB'000).	33,088	17,859	66	2,943	1,089	55,045

At December 31, 2024

	Current	Past due				Total
		Less than 1 year	1-2 years	2-3 years	Over 3 years	
Expected credit loss rate	0.55%	4.58%	20.00%	60.00%	100.00%	1.13%
Gross carrying amount (RMB'000).	2,912,661	468,465	465	220	627	3,382,438
Expected credit losses (RMB'000).	15,976	21,470	93	132	627	38,298

Financial assets that are derecognized in their entirety

The Group

As at the end of each of the Relevant Periods, the Group endorsed certain bills receivable accepted by banks in Mainland China to certain of its suppliers in order to settle the trade and other payables due to such suppliers or discounted certain bills receivable (the “Derecognized Bills”) with carrying amounts in aggregate of approximately RMB5,714,578,000, RMB5,370,484,000 and RMB4,237,265,000, respectively. The Derecognized Bills had maturity of one to six months at the end of each of the Relevant Periods. In accordance with the Law of Negotiable Instruments in the Mainland China, the holders of the Derecognized Bills shall have recourse against the Group if the banks in Mainland China default (the “Continuing Involvement”). In the opinion of the directors, the risk of the Group being claimed by the holders of the Derecognised Bills is remote in the absence of a default of the accepted bank, and the Group has transferred substantially all the risks and rewards relating to the Derecognized Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills. The maximum exposures to loss from the Group’s Continuing Involvement in the Derecognized Bills and the undiscounted cash flows to repurchase these Derecognized Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group’s Continuing Involvement in the Derecognized Bills are not significant.

During the Relevant Periods, the Group has recognized loss of RMB69,971,000, RMB71,793,000 and RMB19,589,000, respectively, on the date of transfer of the Derecognized Bills. No gains or losses were recognized from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

The Company

At the end of each of the Relevant Periods, the Company endorsed certain bills receivable accepted by banks in Mainland China to certain of its suppliers in order to settle the trade and other payables due to such suppliers or discounted certain bills receivable with carrying amounts in aggregate of approximately RMB2,358,455,000, RMB3,183,507,000 and RMB3,584,127,000, respectively.

During the Relevant Periods, the Company has recognized loss of RMB69,971,000, RMB71,793,000 and RMB19,589,000, respectively, on the date of transfer of the Derecognized Bills.

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Prepayments and prepaid expenses	1,601,567	1,643,676	1,188,416
Income tax recoverable	507,196	226,071	239,543
Value-added tax recoverable	146,668	107,979	195,893
Deposit	15,403	15,658	25,236
Total	<u>2,270,834</u>	<u>1,993,384</u>	<u>1,649,088</u>

The Company

	December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Prepayments and prepaid expenses	1,169,135	1,027,134	513,852
Income tax recoverable	456,148	207,763	239,262
Value-added tax recoverable	54,964	—	—
Total	<u>1,680,247</u>	<u>1,234,897</u>	<u>753,114</u>

The Group seeks to maintain strict control over its outstanding receivables to minimize credit risk. Long ageing balances are reviewed regularly by senior management. In view of the fact that the Group's other receivables relate to a large number of diversified counterparties, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its prepayments and other receivable balances.

Other receivables had no historical defaults. The financial assets included in the above balances relating to receivables were categorized in stage 1 at the end of each of the Relevant Periods. In calculating the expected credit loss rate, the Group considers the historical loss rate and adjusts for forward-looking macroeconomic data. During the Relevant Periods, the Group estimated that the expected credit loss rate for other receivables is minimal.

22. FINANCIAL ASSETS AT FVTPL

The Group

Current portion

	December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Listed equity investments, at fair value	9,687	–	15,274
Other unlisted investments, at fair value	102,533	99,050	93,161
Wealth management products	2,648,274	–	164,910
Total	2,760,494	99,050	273,345

Non-current portion

	December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Other unlisted investments, at fair value	583,129	596,520	1,065,411
Wealth management products	156,582	159,871	–
Total	739,711	756,391	1,065,411

The Company

Current portion

	December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Listed equity investments, at fair value	9,687	–	15,274
Other unlisted investments, at fair value	23,238	14,124	11,174
Wealth management products	2,648,274	–	164,910
Total	2,681,199	14,124	191,358

Non-current portion

	December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Other unlisted investments, at fair value	434,094	447,781	922,525
Wealth management products	156,582	159,871	–
Total	590,676	607,652	922,525

The above wealth management products are issued by banks in Mainland China. They were mandatorily classified as financial assets at FVTPL as their contractual cash flows are not solely payments of principal and interest.

23. CASH AND BANK BALANCES AND PLEDGED DEPOSITS

The Group

	December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Cash and bank balances	15,110,430	20,746,105	24,802,475
Pledged deposits and restricted cash.	250	–	13,430
Total	15,110,680	20,746,105	24,815,905
Denominated in			
RMB	13,696,249	19,271,728	21,094,427
USD	1,373,051	1,401,967	2,760,626
Others	41,380	72,410	960,852
Total	15,110,680	20,746,105	24,815,905

The Company

	December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Cash and bank balances	13,329,563	19,728,155	23,202,185
Denominated in			
RMB	12,539,271	18,640,073	19,636,108
USD	783,368	1,086,287	2,655,290
Others	6,924	1,795	910,787
Total	13,329,563	19,728,155	23,202,185

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods depending on the immediate cash requirements of the Group. The pledged deposits represent amounts required to be placed in banks for securing letters of credit and letters of guarantee of the Group, and are classified as current assets. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

24. TRADE AND OTHER PAYABLES

The Group

	December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Trade and bills payables	1,493,467	1,334,012	1,517,333
Payables relating to purchases of items of property, plant and equipment	274,082	176,317	449,926
Borrowings from third parties.	159,992	159,992	159,992
Considerations received from employees under A share stock ownership schemes	59,640	313,920	558,827
Other payables	84,839	152,358	316,087
Other tax payables	115,151	159,686	187,573
Lease liabilities (note 16)	–	–	41,126
Total	2,187,171	2,296,285	3,230,864

An ageing analysis of the trade and bills payables of the Group at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Within 1 year.	1,401,710	1,270,701	1,461,317
1 to 2 years.	78,159	35,460	38,284
2 to 3 years.	10,829	18,093	11,574
Over 3 years	2,769	9,758	6,158
Total	1,493,467	1,334,012	1,517,333

The Company

	December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Trade and bills payables	1,163,424	919,184	1,264,005
Payables relating to purchases of items of property, plant and equipment	78,093	60,845	61,153
Considerations received from employees under A share stock ownership schemes	59,640	313,920	558,827
Other payables	36,300	135,988	127,049
Other tax payables	9,134	99,460	132,843
Total	1,346,591	1,529,397	2,143,877

An ageing analysis of the trade and bills payables of the Company at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Within 1 year	1,136,393	906,517	1,251,909
1 to 2 years	17,140	4,207	3,193
2 to 3 years	1,679	4,984	2,908
Over 3 years	8,212	3,476	5,995
Total	1,163,424	919,184	1,264,005

The trade and bills payables are non-interest-bearing and are normally settled on 3-6 months terms.

Other payables are non-interest-bearing and repayable on demand.

25. CONTRACT LIABILITIES

The Group

	December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Amounts received in advance for delivery of products and services	187,075	198,091	159,793

The Company

	December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Amounts received in advance for delivery of products and services	28,951	8,796	40,040

26. INTEREST-BEARING BORROWINGS

The Group and the Company

December 31, 2022

	Effective interest rate (%)	Maturity	RMB'000
Loans-unsecured	3	2023	1,260,943

The carrying amounts of borrowings are denominated in the following currency:

	December 31, 2022
	RMB'000
RMB	1,260,943

There are no interest-bearing borrowings at the end of December 31, 2023 and 2024.

27. DEFERRED TAX

The movements in deferred tax assets and liabilities during the Relevant Periods are as follows:

Deferred tax assets

The Group

	Impairment provision for assets	Unrealized profits	Tax losses	Deferred Income	Lease liabilities	Fair value losses on financial assets at FVTPL	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2022	17,410	11,049	103,859	9,045	20,475	–	161,838
Deferred tax credited/(charged) to the consolidated statement of profit or loss	25,535	26,964	29,180	(12)	(4,608)	–	77,059
At December 31, 2022	42,945	38,013	133,039	9,033	15,867	–	238,897
At January 1, 2023	42,945	38,013	133,039	9,033	15,867	–	238,897
Deferred tax credited/(charged) to the consolidated statement of profit or loss	8,755	(26,954)	109,072	(6,745)	(3,350)	881	81,659
At December 31, 2023	51,700	11,059	242,111	2,288	12,517	881	320,556
At 1 January 2024	51,700	11,059	242,111	2,288	12,517	881	320,556
Deferred tax credited/(charged) to the consolidated statement of profit or loss	(6,259)	15,837	31,768	10,159	5,994	(881)	56,618
At December 31, 2024	45,441	26,896	273,879	12,447	18,511	–	377,174

The Company

	Impairment provision for assets	Deferred Income	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2022	12,989	7,507	20,496
Deferred tax credited/(charged) to the consolidated statement of profit or loss	21,106	(12)	21,094
At December 31, 2022	34,095	7,495	41,590
At January 1, 2023	34,095	7,495	41,590
Deferred tax credited/(charged) to the consolidated statement of profit or loss	8,508	(6,745)	1,763
At December 31, 2023	42,603	750	43,353
At 1 January 2024	42,603	750	43,353
Deferred tax credited/(charged) to the consolidated statement of profit or loss	(7,002)	3,150	(3,852)
At December 31, 2024	35,601	3,900	39,501

Deferred tax liabilities

The Group

	Fair value gains on financial assets at FVTPL	Fair value gains on other non-current financial assets at FVTPL	Right-of-use assets	Depreciation allowance in excess of related depreciation	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2022	14,252	10,521	20,860	–	–	45,633
Deferred tax (credited)/charged to the consolidated statement of profit or loss	(6,016)	22,748	(4,746)	21,596	21,232	54,814
At December 31, 2022	8,236	33,269	16,114	21,596	21,232	100,447
At January 1, 2023	8,236	33,269	16,114	21,596	21,232	100,447
Deferred tax (credited)/charged to the consolidated statement of profit or loss	(8,236)	496	(116)	(8,956)	–	(16,812)
At December 31, 2023	–	33,765	15,998	12,640	21,232	83,635
At 1 January 2024.	–	33,765	15,998	12,640	21,232	83,635
Deferred tax (credited)/charged to the consolidated statement of profit or loss	297	16,923	2,552	13,705	–	33,477
At December 31, 2024	297	50,688	18,550	26,345	21,232	117,112

The Company

	Fair value gains on financial assets at FVTPL	Fair value gains on other non-current financial assets at FVTPL	Depreciation allowance in excess of related depreciation	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2022	14,165	10,521	–	24,686
Deferred tax (credited)/charged to the consolidated statement of profit or loss	(5,929)	22,748	3,842	20,661
At December 31, 2022	8,236	33,269	3,842	45,347
At January 1, 2023	8,236	33,269	3,842	45,347
Deferred tax (credited)/charged to the consolidated statement of profit or loss	(8,236)	478	1,904	(5,854)
At December 31, 2023	–	33,747	5,746	39,493
At 1 January 2024.	–	33,747	5,746	39,493
Deferred tax (credited)/charged to the consolidated statement of profit or loss	297	16,941	14,933	32,171
At December 31, 2024	297	50,688	20,679	71,664

The Group also has unused tax losses arising in Mainland China of approximately RMB706,284,000, RMB1,248,887,000 and RMB1,939,258,000 as at the end of each of the Relevant Periods that will expire in one to ten years for offsetting against future taxable profits.

Deferred tax assets have not been recognized in respect of these unused tax losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilized in the foreseeable future.

28. SHARE CAPITAL/TREASURY SHARES

Share Capital

	December 31, 2022	December 31, 2023	December 31, 2024
	Number of shares	Number of shares	Number of shares
Issued and fully paid: 6,379,002,274 ordinary shares of RMB1.00 each	6,379,002,274	6,379,002,274	6,379,002,274

A summary of movements in the share capital is as follows:

	Number of shares in issue	Share capital
		RMB'000
At January 1, 2022	6,396,011,914	6,396,012
Repurchase and cancellation of restricted A shares (<i>note (a)</i>) . .	(17,009,640)	(17,010)
At December 31, 2022, January 1, 2023, December 31, 2023, January 1, 2024 and December 31, 2024	6,379,002,274	6,379,002

Note:

- (a) On December 8, 2021, the proposal on the repurchase and cancellation of part of the restricted A Shares granted but have not yet vested under the restricted A Shares of 2020 of the Company was approved by the extraordinary shareholders' meeting. Pursuant to the above proposal, the Company repurchased a total of 17,009,640 restricted A Shares granted at a price of RMB38.9250 per share. Such repurchased A shares was subsequently cancelled on February 17, 2022.

Treasury Shares

A summary of movements in the Company's treasury shares is as follows:

	Number of shares	Treasury Shares
		RMB'000
At January 1, 2022	17,009,640	664,935
Repurchase of shares under A shares stock ownership schemes .	12,000,031	398,028
Repurchase and cancellation of restricted A shares (<i>note (a)</i>) . .	(17,009,640)	(664,935)
At December 31, 2022 and January 1, 2023.	12,000,031	398,028
Repurchase of shares under A shares stock ownership schemes .	18,906,580	827,265
Vesting of shares under A shares stock ownership schemes (<i>note 30</i>)	(4,023,094)	(133,442)
At December 31, 2023 and January 1, 2024.	26,883,517	1,091,851
Repurchase of shares under A shares stock ownership schemes .	5,420,699	228,426
Vesting of shares under A shares stock ownership schemes (<i>note 30</i>)	(2,763,214)	(91,653)
At December 31, 2024.	29,541,002	1,228,624

Subsequently from January 1, 2025 to March 31, 2025, the Company implemented the A share repurchase through public centralized trading and repurchased 1,672,000 A shares at a total consideration of RMB75,101,000.

29. RESERVES

The Group

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity.

Share premium

The share premium of the Group represents the difference between the par value of the shares issued and the consideration received.

Other reserve

a. Share-based payments reserve

Share-based payments reserve represents the share-based compensation reserve due to equity-settled share award, details of which are set out in note 30 to the Historical Financial Information.

b. Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations with a functional currency other than RMB. The reserve is dealt with in accordance with the accounting policies set out in note 2.3 to the Historical Financial Information.

Surplus reserve

a. Statutory surplus reserve

In accordance with the Company Law of the People's Republic of China, the companies registered in the PRC are required to allocate 10% of the statutory after-tax profits to the statutory surplus reserve until the cumulative total of the reserve reaches 50% of the companies' registered capital. Subject to approval from the relevant PRC authorities, the statutory surplus reserve may be used to offset any accumulated losses or increase the registered capital of the companies. The statutory surplus reserve is not available for dividend distribution to shareholders of the PRC subsidiaries.

b. Discretionary surplus reserve

After making the appropriation to the statutory surplus reserve, the Company and its subsidiaries may also appropriate their net profit to the discretionary surplus reserve upon approval by shareholders. Subject to the approval of shareholders, the discretionary surplus reserve may be used to make good previous years' losses, if any, and may be converted into capital.

The Company

The amounts of the Company's reserves and the movements therein for the Relevant Periods are presented as follows:

Year ended December 31, 2022

	Share premium	Share-based payments reserve	Surplus reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2022	2,861,486	123,070	3,035,188	19,487,594	25,507,338
Profit for the year	—	—	—	3,584,676	3,584,676
Total comprehensive income for the year	—	—	—	3,584,676	3,584,676
Final 2021 dividend declared and paid .	—	—	—	(1,020,466)	(1,020,466)
Appropriation to statutory surplus reserve	—	—	244,169	(244,169)	—
Repurchase and cancellation of shares under A shares	(650,760)	—	—	5,670	(645,090)
Recognition of equity-settled share-based payments (note 30)	—	32,061	—	—	32,061
At December 31, 2022	<u>2,210,726</u>	<u>155,131</u>	<u>3,279,357</u>	<u>21,813,305</u>	<u>27,458,519</u>

Year ended December 31, 2023

	Share premium	Share-based payments reserve	Surplus reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2023	2,210,726	155,131	3,279,357	21,813,305	27,458,519
Profit for the year	—	—	—	4,183,323	4,183,323
Total comprehensive income for the year	—	—	—	4,183,323	4,183,323
Final 2022 dividend declared and paid .	—	—	—	(1,019,873)	(1,019,873)
Shares under A shares stock ownership schemes vested	72,087	(185,534)	—	—	(113,447)
Recognition of equity-settled share-based payments (<i>note 30</i>)	—	166,659	—	—	166,659
At December 31, 2023	<u>2,282,813</u>	<u>136,256</u>	<u>3,279,357</u>	<u>24,976,755</u>	<u>30,675,181</u>

Year ended December 31, 2024

	Share premium	Share-based payments reserve	Surplus reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2024	2,282,813	136,256	3,279,357	24,976,755	30,675,181
Profit for the year	—	—	—	6,187,074	6,187,074
Total comprehensive income for the year	—	—	—	6,187,074	6,187,074
Final 2023 dividend declared and paid .	—	—	—	(1,273,768)	(1,273,768)
Shares under A shares stock ownership schemes vested	(12,013)	(65,907)	—	—	(77,920)
Recognition of equity-settled share- based payments (<i>note 30</i>)	—	209,255	—	—	209,255
At December 31, 2024	<u>2,270,800</u>	<u>279,604</u>	<u>3,279,357</u>	<u>29,890,061</u>	<u>35,719,822</u>

30. SHARE-BASED PAYMENTS

2022 A Share Stock Ownership Scheme

Pursuant to the A Share incentive scheme for 2022 approved at the extraordinary shareholders' meeting on September 8, 2022 (the "2022 A Share Stock Ownership Scheme"), the Company granted 10,976,000, 191,000, and Nil shares to certain eligible participants during the Relevant Periods. The granted price is RMB4.97 per share. The vesting periods for shares granted are 12 months, 24 months and 36 months from the date of completion of registration of the granted shares. According to the Company's performance appraisal and individual performance appraisal, 40%, 30% and 30% of shares will be vested respectively. During the Relevant Periods, 89,000, 931,978, and 394,840 shares were forfeited. During the Relevant Periods, Nil, 4,023,094, and 2,763,214 shares were vested.

2023 A Share Stock Ownership Scheme

Pursuant to the A Share incentive scheme for 2023 approved at the extraordinary shareholders' meeting on November 24, 2023 (the "2023 A Share Stock Ownership Scheme"), the Company granted Nil, 10,963,367, and 616,000 shares to certain eligible participants during the Relevant Periods. The granted price is RMB23.85 per share. The vesting periods for shares granted are 12 months, 24 months and 36 months from the date of completion of registration of the granted shares. According to the Company's performance appraisal and individual performance appraisal, 40%, 30% and 30% of shares will be vested respectively. During the Relevant Periods, Nil, 5,000, and 593,700 shares were forfeited. During the Relevant Periods, no shares were vested.

2024 A Share Stock Ownership Scheme

Pursuant to the A Share incentive scheme for 2024 approved at the extraordinary shareholders' meeting on September 6, 2024 (the "2024 A Share Stock Ownership Scheme"), the Company granted Nil, Nil, and 11,444,900 shares to certain eligible participants during the Relevant Periods. The granted price is RMB21.20 per share. The vesting periods for shares granted are 12 months, 24 months and 36 months from the date of completion of registration of the granted shares. According to the Company's performance appraisal and individual performance appraisal, 40%, 30% and 30% of shares will be vested respectively. During the Relevant Periods, no shares were forfeited or vested.

The shares under A share stock ownership schemes outstanding are 25,390,441 as at the end of 2024.

The Group determines the fair value of shares under A share stock ownership schemes on the basis of the single-day closing price of the circulating shares on the date when the equity instruments are granted, less the subscribe price.

The total share-based payment expenses recognized in the statements of profit or loss and other comprehensive income for shares under A share stock ownership schemes are approximately RMB32,061,000, RMB166,659,000, and RMB209,255,000 for the Relevant Periods.

31. DISPOSAL OF SUBSIDIARIES

In September 2022, the Company and Shanghai Regenelead Therapies Co., Ltd. (上海瑞宏迪醫藥有限公司) ("Shanghai Regenelead") entered into a capital injection agreement with Jiangsu Hengrui Pharmaceutical Group Co., Ltd. (江蘇恒瑞醫藥集團有限公司), Shanghai Shengdi Biomedical Private Investment Fund Partnership (Limited Partnership) (上海盛迪生物醫藥私募投資基金合夥企業(有限合夥)) ("Shengdi Biomedical Fund"), and Shenzhen Yingtai Asset Management Co., Ltd. (深圳市迎泰資產管理有限公司) ("Shenzhen Yingtai"), pursuant to which, the investors injected RMB497,747,000 into Shanghai Regenelead. Such transaction was completed in September 2022. Accordingly, the Company's directly-held equity interest in Shanghai Regenelead was diluted from 100% to approximately 38% and Shanghai Regenelead ceased to be a subsidiary of the Group. Since the Group still had the power to appoint one out of five directors of Shanghai Regenelead, afterwards the Group was able to exercise significant influence over Shanghai Regenelead, and the 38% directly-held equity interests in Shanghai Regenelead is accounted for as investment in an associate.

In April 2022, certain subsidiaries of the Group and Suzhou Yiduoyun Health Co., Ltd. (蘇州醫朵雲健康股份有限公司) ("Suzhou Yiduoyun") entered into a capital injection agreement with certain investors, pursuant to which, the investors injected RMB30,000,000 to Suzhou Yiduoyun. Such transaction was completed in August 2022. Accordingly, the Group's equity interest in Suzhou Yiduoyun was diluted from 71.43% to approximately 50%. According to the latest Article of Suzhou Yiduoyun, the controlling shareholder shall represent more than two thirds of the voting rights, thus Suzhou Yiduoyun ceased to be a subsidiary of the Group. Since the Group was still able to exercise significant influence over Suzhou Yiduoyun, its equity interest in Suzhou Yiduoyun is accounted for as investment in an associate.

In May 2022, certain subsidiary of the Group and Shanghai Fuhong Biopharmaceutical Co., Ltd. (上海甫弘生物醫藥有限公司) ("Shanghai Fuhong"), entered into a share transfer agreement with Shenzhen Yingtai, pursuant to which, the Group disposed of the entire equity interest in Shanghai Fuhong for a consideration of RMB52,787,000. Such transaction was completed in June 2022.

Details of the net assets disposed of are as follows:

	<i>Notes</i>	<u>At the date of disposal</u> <i>RMB'000</i>
Net assets disposed of:		
Current assets		56,046
Non-current assets		172,958
Current liabilities		(165,619)
Non-current liabilities		(47,450)
Non-controlling interests		15,142
Subtotal.		31,077
Fair value of the remaining equity interests		(335,192)
Gain on disposal of subsidiaries	5	30,916
Gain on deemed disposal of subsidiaries	5	325,986
Total consideration		52,787
Satisfied by:		
Cash.		52,787

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	<u>2022</u> <i>RMB'000</i>
Cash consideration	52,787
Cash and bank balances disposed of.	(16,742)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries . .	36,045

32. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

- (1) During the Relevant Periods, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB30,064,000, RMB22,692,000 and RMB86,674,000 respectively, in respect of lease arrangements for factory, office and laboratory premises.
- (2) As disclosed in note 31 to the Historical Financial Information, the Group recognized a gain on deemed disposal of subsidiaries of RMB325,986,000 in 2022 due to the dilution of the Group's equity interest in Shanghai Regenelead and Suzhou Yiduoyun.
- (3) During the Relevant Periods, the Group recognized licensing revenue in exchange for equity interests of the customer of nil, nil and RMB354,116,000, respectively.
- (4) During the Relevant Periods, the Group endorsed certain bills receivable accepted by banks in Mainland China to certain of its suppliers in order to settle the trade and other payables due to such suppliers with carrying amounts in aggregate of approximately RMB2,977,423,000, RMB2,664,063,000 and RMB3,212,114,000, respectively.

(b) Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those 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.

	Dividends payable	Interest-bearing borrowings	Lease liabilities	Other payables and accruals	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2022	–	–	151,589	–	151,589
Changes from financing					
cash flows	(1,015,543)	1,260,000	(36,285)	159,992	368,164
New lease arrangements .	–	–	30,064	–	30,064
Dividends declared	1,015,543	–	–	–	1,015,543
Disposals of subsidiaries .	–	–	(44,323)	–	(44,323)
Termination of lease contracts	–	–	(7,732)	–	(7,732)
Accretion of interest . . .	–	943	5,548	–	6,491
At December 31, 2022 and January 1, 2023 . .	–	1,260,943	98,861	159,992	1,519,796
Changes from financing					
cash flows	(1,019,873)	(1,262,576)	(34,335)	–	(2,316,784)
New lease arrangements .	–	–	22,692	–	22,692
Dividends declared	1,019,873	–	–	–	1,019,873
Termination of lease contracts	–	–	(16,314)	–	(16,314)
Accretion of interest . . .	–	1,633	4,272	–	5,905
At December 31, 2023 and January 1, 2024 . .	–	–	75,176	159,992	235,168
Changes from financing					
cash flows	(1,273,768)	(1,020)	(47,375)	–	(1,322,163)
New lease arrangements .	–	–	86,674	–	86,674
Dividends declared	1,273,768	–	–	–	1,273,768
Termination of lease contracts	–	–	(8,852)	–	(8,852)
Accretion of interest . . .	–	1,020	4,539	–	5,559
At 31 December 2024 . .	–	–	110,162	159,992	270,154

(c) Total cash outflow for leases

The total cash outflow for leases included in the statements of cash flows is as follows:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Within operating activities	4,388	30,838	107,814
Within financing activities	36,285	34,335	47,375
Total	40,673	65,173	155,189

33. COMMITMENTS

The Group had contractual commitments for the purchase of items of property, plant and equipment and the interest in an existing subsidiary with an aggregate amount of RMB146,098,000, RMB193,700,000 and RMB372,609,000 at the end of each of the Relevant Periods, respectively.

34. RELATED PARTY TRANSACTIONS

The Directors are of the view that the following companies are related parties that had material transactions or balances with the Group during the Relevant Periods.

(a) Name and relationships of the related parties

Name	Relationship
Jiangsu Hansoh Pharmaceutical Group Co., Ltd. and its subsidiaries	Controlled by a close family member of a director
Jiangsu Hengrui Pharmaceutical Group Co., Ltd.	Controlled by a director
Suzhou Yiduoyun and its subsidiaries (<i>Note 31</i>)	Associates
Shanghai Regenelead (<i>Note 31</i>)	Associate
Shengdi Biomedical Fund	Associate
Suzhou Hengrui Health Technology Co., Ltd.	Controlled by a close family member of a director
Suzhou Hengrui Medical Devices Co., Ltd. and its subsidiaries	Controlled by a close family member of a director
Jiangsu Alvin Medical Management Co., Ltd.	Controlled by a director
Shanghai Shashuo New Materials Co., Ltd.	Controlled by a director

(b) The Group had the following transactions with related parties during the Relevant Periods:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
<i>Sales of products:</i>			
Associates	16,990	79,332	97,044
Controlled by a close family member of a director	—	—	5,900
Total	16,990	79,332	102,944
<i>Rendering of services:</i>			
Associates	4,069	11,604	15,139
Controlled by a close family member of a director	—	10,670	12,633
Controlled by a director	—	5,689	999
Total	4,069	27,963	28,771

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
<i>Purchases of products:</i>			
Associates.	–	30	–
Controlled by a close family member of a director	–	3,982	21,266
Total	–	4,012	21,266
<i>Purchases of services:</i>			
Controlled by a close family member of a director	–	27,525	10,359
Associates.	16,293	29,542	40,259
Total	16,293	57,067	50,618

Other transactions:

In September 2022, the Company and Shanghai Regenelead entered into a capital injection agreement with Jiangsu Hengrui Pharmaceutical Group Co., Ltd., Shengdi Biomedical Fund, and Shenzhen Yingtai, pursuant to which, the investors injected RMB497,747,000 to Shanghai Regenelead. Such transaction was completed in September 2022. Accordingly, the Company's directly-held equity interest in Shanghai Regenelead was diluted from 100% to approximately 38%.

(c) Outstanding balances with related parties:

The Group

	December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
<i>Amounts due from related parties – trade in nature</i>			
Associates.	–	24,193	65,255
Controlled by a director	–	663	1,740
Controlled by a close family member of a director.	–	247	5,097
Total	–	25,103	72,092
<i>Amounts due to related parties – trade in nature</i>			
Associates.	–	137	13
Controlled by a close family member of a director.	–	136	3,894
Total	–	273	3,907

The Group has assessed the expected loss rate for amounts due from the related parties by considering the financial position and credit history of the related party and assessed that the expected credit loss is minimal.

The Company

	December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Amounts due from subsidiaries	5,060,159	3,804,791	5,021,382
Amounts due from associates	–	11,914	10,132
Total	5,060,159	3,816,705	5,031,514
Amounts due to subsidiaries	3,058,652	3,548,237	3,989,192
Amounts due to associates	–	137	100
Total	3,058,652	3,548,374	3,989,292

Amounts due from/to subsidiaries are unsecured, interest free and repayable on demand.

(d) Compensation of key management personnel of the Group

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Salaries, bonuses, allowances and benefits in kind	41,153	35,394	43,131
Pension scheme contributions	277	245	281
Equity-settled share-based payments	2,279	14,781	19,837
Total	43,709	50,420	63,249

Further details of directors', supervisors' and the chief executive's remuneration are included in note 9 to the Historical Financial Information.

35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods were as follows:

The Group

	December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Financial assets			
Financial assets at FVTPL	3,500,205	855,441	1,338,756
Financial assets at FVOCI:			
Bills receivables	1,947,283	614,582	1,094,725
Financial assets at amortized cost:			
Trade and bills receivables	6,394,188	5,520,325	5,064,745
Financial assets included in prepayments, other receivables and other assets	15,403	15,658	25,236
Pledged deposits	250	–	13,430
Cash and bank balances	15,110,430	20,746,105	24,802,475
Total	26,967,759	27,752,111	32,339,367

	December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Financial liabilities			
Financial liabilities at amortized cost:			
Financial liabilities included in trade and other			
payables	2,046,457	2,114,929	2,982,240
Interest-bearing borrowings	1,260,943	–	–
Total	3,307,400	2,114,929	2,982,240

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances, pledged deposits, financial assets included in prepayments, other receivables and other assets, trade and bills receivables, interest-bearing borrowings, and financial liabilities included in trade and other payables approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of each of the Relevant Periods, the finance department analysed the movements in the values of financial instruments and determined the major inputs applied in the valuation. The valuation is reviewed and approved by the finance manager. The valuation process and results are discussed with the directors of the Company once a year for annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted investments designated at fair value through profit or loss have been estimated using a valuation technique based on assumptions that are not supported by observable market prices or rates. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statements of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of each of the Relevant Periods.

The Group invests in wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

Below is a summary of significant unobservable inputs to the valuation of financial instruments which are measured at fair value as at the end of each of the Relevant Periods:

Financial assets	Fair value hierarchy	Valuation techniques	Significant unobservable inputs	Sensitivity of fair value to the input
Investments in unlisted funds at fair value . . .	Level 3	Net asset value of underlying investments value	N/A	N/A
Unlisted equity investments at fair value.	Level 3	Back-solve from recent transaction price	Initial public offering ("IPO") or success probability	5% increase/decrease in probability would result in increase/decrease in fair value by RMB15,171,000, RMB15,407,000 and RMB50,314,000 at the end of each of the Relevant Periods

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

At 31 December 2022

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at FVTPL	112,220	2,804,856	583,129	3,500,205
Bills receivables	–	1,947,283	–	1,947,283
Total	112,220	4,752,139	583,129	5,447,488

At 31 December 2023

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at FVTPL	99,050	159,871	596,520	855,441
Bills receivables	–	614,582	–	614,582
Total	99,050	774,453	596,520	1,470,023

At 31 December 2024

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at FVTPL	108,435	164,910	1,065,411	1,338,756
Bills receivables	–	1,094,725	–	1,094,725
Total	108,435	1,259,635	1,065,411	2,433,481

Financial instruments in Level 3

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing borrowings, financial assets at fair value through profit or loss and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which the Group conducts business may affect the Group's financial condition and results of operations.

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Increase/(decrease) in rate of foreign exchange	Increase/(decrease) in profit before tax	Increase/(decrease) in equity
	%	RMB'000	RMB'000
Year ended December 31, 2022			
If RMB weakens against the USD	5	43,545	43,545
If RMB strengthens against the USD	(5)	(43,545)	(43,545)
Year ended December 31, 2023			
If RMB weakens against the USD	5	55,686	55,686
If RMB strengthens against the USD	(5)	(55,686)	(55,686)
Year ended December 31, 2024			
If RMB weakens against the USD	5	141,989	141,989
If RMB strengthens against the USD	(5)	(141,989)	(141,989)

Credit risk

The Group trades only with recognized and creditworthy parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. The credit risk of the Group's other financial assets, which comprise cash and bank balances, pledged deposits, financial assets included in prepayments, other receivables and other assets, and financial assets included in other non-current assets arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

For financial assets included in other non-current assets and prepayments, other receivables and other assets, management makes periodic collective assessment as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at the end of each Relevant Periods.

The amounts presented are gross carrying amounts for financial assets.

At 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables*	—	—	—	8,439,513	8,439,513
Financial assets included in prepayments, other receivables and other assets**	15,403	—	—	—	15,403
Pledged deposits	250	—	—	—	250
Cash and bank balances	15,110,430	—	—	—	15,110,430
Total	15,126,083	—	—	8,439,513	23,565,596

At 31 December 2023

	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables*	–	–	–	6,217,182	6,217,182
Financial assets included in prepayments, other receivables and other assets**	15,658	–	–	–	15,658
Cash and bank balances	20,746,105	–	–	–	20,746,105
Total	20,761,763	–	–	6,217,182	26,978,945

At 31 December 2024

	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables*	–	–	–	6,213,076	6,213,076
Financial assets included in prepayments, other receivables and other assets**	25,236	–	–	–	25,236
Pledged deposits	13,430	–	–	–	13,430
Cash and bank balances	24,802,475	–	–	–	24,802,475
Total	24,841,141	–	–	6,213,076	31,054,217

* For trade receivables at the end of each Relevant Periods, the Group applied the simplified approach for impairment. Information based on the provision matrix is disclosed in note 20 to the Historical Financial Information.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

At the end of each Relevant Periods, the Group had certain concentrations of credit risk as 56.66%, 61.70% and 56.67% of the Group's trade and bills receivables were due from the Group's five largest customers, respectively.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in note 20 to the Historical Financial Information.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade and bills receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing borrowings and lease liabilities.

The maturity profile of the Group's financial liabilities as at the end of each Relevant Periods, based on the contractual undiscounted payments, is as follows:

At December 31, 2022

	Less than 12 months or on demand	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing borrowings	1,260,943	–	–	1,260,943
Financial liabilities included in trade and other payables	2,046,457	–	–	2,046,457
Lease liabilities	28,106	79,882	–	107,988
Total	3,335,506	79,882	–	3,415,388

At December 31, 2023

	Less than 12 months or on demand	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities included in trade and other payables	2,114,929	–	–	2,114,929
Lease liabilities	40,270	40,720	–	80,990
Total	2,155,199	40,720	–	2,195,919

At December 31, 2024

	Less than 12 months or on demand	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities included in trade and other payables	2,982,240	–	–	2,982,240
Lease liabilities	42,857	70,665	5,199	118,721
Total	3,025,097	70,665	5,199	3,100,961

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may issue new shares, make borrowings or sell assets to reduce debt. No changes were made to the objectives, policies or processes for managing capital during the Relevant Periods.

	December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Total liabilities	3,957,967	2,751,421	4,045,393
Total assets	42,370,875	43,784,507	50,135,644
Gearing ratio	9%	6%	8%

38. EVENT AFTER DECEMBER 31, 2024

The Group had no significant events subsequent to December 31, 2024.

39. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to December 31, 2024.