SHENZHEN HEPALINK PHARMACEUTICAL GROUP CO., LTD.
(深圳市海普瑞藥業集團股份有限公司)

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

(Stock code: 9989)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2024

The board of directors (the "**Board**") of Shenzhen Hepalink Pharmaceutical Group Co., Ltd. (the "**Company**") is pleased to announce the consolidated annual results of the Company and its subsidiaries (the "**Group**") for the year ended December 31, 2024 (the "**Reporting Period**"), together with comparative figures for the year ended December 31, 2023.

RESULTS HIGHLIGHTS

1. The revenue was approximately RMB5,258.9 million (2023: approximately RMB5,431.0 million);
2. Gross profit was approximately RMB1,739.3 million (2023: approximately RMB940.9 million); gross profit margin was approximately 33.1% (2023: approximately 17.3%);
3. The sales revenue of the finished dose pharmaceutical products business was approximately RMB2,986.1 million (2023: approximately RMB2,979.0 million); gross profit margin was approximately 31.8% (2023: approximately 43.1%);
4. The sales revenue of the API business was approximately RMB1,065.7 million (2023: approximately RMB1,307.3 million); gross profit margin was approximately 38.6% (2023: approximately -42.8%);
5. The sales revenue of the CDMO business was approximately RMB1,033.8 million (2023: approximately RMB967.0 million); gross profit margin was approximately 32.9% (2023: approximately 22.0%);
6. The profit attributable to equity holders of the parent was approximately RMB646.7 million (2023: loss attributable to equity holders of the parent was approximately RMB783.3 million); and
7. The Board proposed the distribution of a final cash dividend of RMB2.5 (tax inclusive) per ten ordinary shares of the Company (2023: nil); proposed dividend payout ratio 56.7% (2023: nil).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended December 31, 2024

	Notes	**2024**	2023
		RMB'000	*RMB'000*
REVENUE	*4*	**5,258,919**	5,430,974
Cost of sales		**(3,519,605)**	(4,490,078)
Gross profit		**1,739,314**	940,896
Other income and gains	*5*	**531,444**	222,317
Selling and distribution expenses		**(389,441)**	(517,416)
Administrative expenses		**(638,465)**	(674,546)
Impairment losses on financial and contract assets		**(58,542)**	(22,548)
Impairment losses on goodwill		**–**	(68,155)
Impairment losses on property, plant and equipment and other intangible assets		**(55,365)**	(44,515)
Impairment losses on associates		**(85,517)**	(9,801)
Other expenses		**(30,174)**	(78,528)
Finance costs	*6*	**(145,205)**	(228,087)
Share of losses of associates		**(141,820)**	(447,951)
PROFIT/(LOSS) BEFORE TAX	*7*	**726,229**	(928,334)
Income tax (expense)/credit	*8*	**(101,311)**	126,175
PROFIT/(LOSS) FOR THE YEAR		**624,918**	(802,159)
Attributable to:			
Owners of the parent		**646,742**	(783,258)
Non-controlling interests		**(21,824)**	(18,901)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic and diluted			
– for profit/(loss) for the year		**RMB0.44**	RMB(0.53)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended December 31, 2024

	2024	2023
	RMB'000	*RMB'000*
PROFIT/(LOSS) FOR THE YEAR	**624,918**	(802,159)
OTHER COMPREHENSIVE INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods (net of tax):		
Exchange differences on translation of foreign operations	**93,016**	51,000
Share of other comprehensive income/(loss) of associates	**14,905**	(6,192)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**107,921**	44,808
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods (net of tax):		
Change in fair value of equity investments designated at fair value through other comprehensive income	**(34,452)**	(9,234)
Remeasurement income/(loss) on defined benefit pension schemes	**6,284**	(2,592)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	**(28,168)**	(11,826)
Other comprehensive income for the year, net of tax	**79,753**	32,982
Total comprehensive income/(loss) for the year, net of tax	**704,671**	(769,177)
Attributable to:		
Owners of the parent	**726,452**	(750,324)
Non-controlling interests	**(21,781)**	(18,853)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2024

	Notes	**December 31, 2024** *RMB'000*	December 31, 2023 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**2,668,337**	2,628,121
Right-of-use assets		**185,585**	220,883
Goodwill		**2,357,034**	2,322,375
Other intangible assets		**306,676**	389,423
Investments in associates		**350,320**	1,004,046
Equity investments designated at fair value through other comprehensive income		**580,134**	503,565
Financial assets at fair value through profit or loss		**893,040**	1,006,367
Deferred tax assets		**282,510**	320,503
Other non-current assets		**98,614**	203,865
Total non-current assets		**7,722,250**	8,599,148
CURRENT ASSETS			
Inventories		**5,393,947**	6,654,111
Trade and bills receivables	*10*	**1,182,797**	1,263,584
Contract assets		**4,018**	10,947
Prepayments, other receivables and other assets		**431,252**	364,429
Due from related parties		**51,802**	45,371
Financial assets at fair value through profit or loss		**867,895**	414,184
Derivative financial instruments		**521**	–
Pledged deposits		**80**	80
Time deposits		**267,135**	85,918
Cash and cash equivalents		**1,421,827**	1,765,645
Total current assets		**9,621,274**	10,604,269
CURRENT LIABILITIES			
Trade payables	*11*	**299,692**	302,223
Derivative financial instruments		**–**	388
Other payables and accruals		**519,076**	497,560
Contract liabilities		**264,283**	362,052
Interest-bearing bank and other borrowings		**2,367,161**	3,624,575
Tax payable		**120,264**	157,178
Due to related parties		**89,939**	4,403
Lease liabilities		**38,822**	37,803
Total current liabilities		**3,699,237**	4,986,182

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2024

	Notes	**December 31, 2024** *RMB'000*	December 31, 2023 *RMB'000*
NET CURRENT ASSETS		**5,922,037**	5,618,087
TOTAL ASSETS LESS CURRENT LIABILITIES		**13,644,287**	14,217,235
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**1,081,048**	1,810,021
Deferred income		**27,285**	30,426
Deferred tax liabilities		**242,494**	252,568
Long-term employee benefits		**23,215**	35,273
Other non-current liabilities		**10,354**	10,153
Lease liabilities		**57,770**	90,417
Total non-current liabilities		**1,442,166**	2,228,858
Net assets		**12,202,121**	11,988,377
EQUITY			
Equity attributable to owners of the parent			
Share capital	*13*	**1,467,296**	1,467,296
Reserves		**10,681,377**	10,445,852
Total equity attributable to owners of the parent		**12,148,673**	11,913,148
Non-controlling interests		**53,448**	75,229
Total equity		**12,202,121**	11,988,377

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In 2024, the global economy was complex and variable, facing challenges such as slowing growth, divergent inflation trends, adjustments in monetary policy, rising geopolitical risks and uncertainties in the trade environment. As a result, there were significant differences in economic performances among countries. According to the latest "World Economic Outlook" report from the International Monetary Fund (IMF), global economic growth rates were projected to be 3.2% in 2024 and 3.3% in 2025. Despite the global economy showing some resilience, global economic growth still lacks sufficient momentum, with some regions facing downward risks. During the Reporting Period, the United States' economy performed steadily, with Gross Domestic Product (GDP) in 2024 being above average and the unemployment rate maintained at around 4%. Although inflation has not shown a significant decline, it has generally stabilized. The European economy is recovering slowly. While inflation has decreased, fluctuations in energy prices and geopolitical risks persist, leaving European central banks in a dilemma between promoting economic growth and controlling inflation, which adds multiple pressures on the European economic growth. In Asia, economic performance was mixed. China's economy maintained growth resilience but faced pressures from weakened domestic demand and industrial adjustments. In contrast, India benefited from strong domestic demand and investment growth, with an expected economic growth rate exceeding 6%, thereby making it one of the highlights of global economic growth. During the Reporting Period, China's economy rebounded amid fluctuations, with GDP surpassing RMB130 trillion for the first time, reflecting a 5% increase compared to the same period in 2023. As existing policies continue to take effect and new policies are being effectively implemented, positive factors in economic operations continue to increase. In 2024, indicators such as per capita disposable income, per capita consumption expenditure, and total retail sales of consumer goods showed significant rebounds. Notably, per capita disposable income and per capita consumption expenditure both saw a nominal increase of 5.3% compared to the previous year, while total retail sales of consumer goods grew by 3.5% year-on-year. Overall, the livelihood economy is running smoothly and steadily progressing.

In 2024, the Group firmly anchored its established development goals, continuing to strengthen the core driving force of value creation through its formulation business and steadily advancing its globalization strategy. The Group actively enhanced its business capabilities and operational quality, optimized its business structure, and achieved good sales growth, significantly improving operating profits. During the Reporting Period, the Group further solidified its business foundation by being deeply engaged in markets in Europe, China, the United States, and other non-European and non-American markets and promoting sales growth in various regions. The Group's annual sales volume of enoxaparin sodium formulations achieved double-digit growth again, successfully expanding its global formulation market share and brand influence in various regions. However, according to data from the General Administration of Customs, the prices of heparin active pharmaceutical ingredients ("**API**") remain low, and the API market price continues to face significant pressure. Despite this, the Group's product quality continued to be its core competitive advantage during the Reporting Period, and with a strictly maintained pricing system, results such as API sales volume growing by double digits year-on-year were achieved. Benefiting from the rebound in demand for bio-macromolecule Contract Development and Manufacturing Organization ("**CDMO**") business and improved management efficiency, the Group's CDMO business experienced rapid growth during the Reporting Period, with both business revenue and gross margin increasing year-on-year. The Group actively assessed and adjusted its investment portfolio and proportions during the Reporting Period, continuously optimizing capital allocation with the goal of maximizing shareholder interests, achieving significant progress. The performance of HighTide Therapeutics, Inc. and other investment portfolios during the Reporting Period was ideal, bringing considerable investment returns to the Group. The Group placed great emphasis on financial stability, continuously strengthening fund coordination and allocation management, optimizing its debt structure, and enhancing cost and expense control to balance financial risks and reduce funding costs. With a robust financial strategy, the Group's net cash flow from operating activities increased from approximately RMB398.2 million in 2023 by approximately 451.0% to approximately RMB2,194.1 million in 2024. In the current uncertain global economic environment, the Group will continue to adhere to prudent financial management principles, ensuring the stability of liquidity, enhancing capital operational efficiency, and supporting the Company's long-term development.

During the Reporting Period, the Group achieved an operating revenue of approximately RMB5,258.9 million in total, representing a year-on-year decrease of approximately 3.2%, with a gross profit of approximately RMB1,739.3 million, representing a year-on-year increase of approximately 84.9%, and a gross margin of approximately 33.1%, which is up by approximately 15.8 percentage points year-on-year. The Group turned from loss into profit during the Reporting Period, with a net profit of approximately RMB624.9 million and the net profit attributable to equity holders of the Company was approximately RMB646.7 million.

Sales

The Group primarily operates through three main business segments: (i) the heparin supply chain business; (ii) the CDMO business; and (iii) the innovative drugs and innovation business.

Heparin Supply Chain Business

During the Reporting Period, the Group's heparin supply chain business achieved a sales revenue of approximately RMB4,051.8 million, representing a year-on-year decrease of approximately 5.5%. Finished dose pharmaceutical products sales experienced double-digit growth, reaching a record high in annual sales volume with sales revenue of approximately RMB2,986.1 million, representing a year-on-year increase of approximately 0.2%, accounting for approximately 56.8% of the Group's total revenue. The gross profit was approximately RMB950.3 million, representing a year-on-year decrease of approximately 26.0%, with a gross margin of approximately 31.8%. Due to the impact of centralized procurement bidding, the Group's product sales in the Chinese market significantly increased, but procurement prices were substantially lower as compared to the same period in the first half of 2023, which greatly affected the overall gross profit and gross profit margin of the formulation business during the Reporting Period.

The European market continued to be the core engine for the Group's enoxaparin sodium formulation business. During the Reporting Period, the Group's product sales maintained its market share as top two in Europe. In terms of sales strategy, the Group actively strengthened relationships with existing customers, deeply analyzed market dynamics in various countries, and adjusted sales plans based on local demand, successfully increasing the bid-winning rate to expand market share. The Group also accelerated the exploration of uncovered markets, formulated precise strategies, and promoted sales in underdeveloped areas, achieving new tender orders. The Company showcased the advantages of its products and its corporate strength by extensively participating in international pharmaceutical exhibitions and industry summits, thus enhancing brand awareness. The Group also enhanced the building of localized teams in Europe to maintain sharp market insights for better responsiveness to market changes.

In the United States market, the Group's sales revenue showed impressive growth during the Reporting Period, primarily benefiting from a dual strategy of self-operated and agency-driven approaches of the Group, gradually achieving a "1+1>2" collaborative advantage. During the Reporting Period, the Group's self-operated team in the United States continuously pushed forward, actively expanding market coverage through building its sales network and managing distribution channels, thereby reaching markets that were previously uncovered and effectively driving sales growth of core products. Currently, the Group's United States self-operated team has established cooperative relationships with multiple medical systems, laying a solid foundation for business development. While promoting sales growth of existing products, the Group continued to advance the commercialization of fosaprepitant dimeglumine in the United States market during the Reporting Period. The Group actively utilized resources and platforms from self-operated sales to strive for synergistic effects and create new revenue sources.

In the Chinese market, the Group maintained rapid sales growth through the national centralized procurement platform. However, due to the pricing mechanism of national procurement, sales revenue and gross profit in China were somewhat affected. In this context, although the Group's scale of sales further expanded, the gross profit of products was squeezed, leading to a decline in gross profit margin. To address this, the Group is actively working to increase market share, leveraging economies of scale to alleviate pricing pressure and consolidating its position in the Chinese market. Additionally, the Group is committed to filling market gaps through independent market development and planning, striving to find points of growth outside of centralized procurement.

In the non-European and non-American overseas markets, normalcy has resumed, with various markets and sales channels reopening for planning and procurement, bringing significant growth in sales volume to the Group. On one hand, the Group strengthened its deep cultivation of existing markets, while on the other hand, it actively developed new markets and explored new points of growth. During the Reporting Period, the Group actively adjusted its business strategies to adapt to changing market demands in different regions, accelerating market entry to expand market coverage. At the same time, the Group strengthened its relationships with governments, regulatory agencies, and partners to expedite product approvals. The Group obtained market entry licenses in Thailand, New Zealand and Argentina during the Reporting Period, which not only brought new sales opportunities but also further enhanced the Group's international market share.

During the Reporting Period, the Group's API business generated a sales revenue of approximately RMB1,065.7 million, representing a year-on-year decrease of approximately 18.5%. However, the sales volume increased by approximately 10.8% as compared to the same period in 2023, and the gross profit margin was approximately 38.6%, gross profit margin turned positive compared to the negative gross margin of approximately 42.8% in 2023. In the challenging market environment, the Group actively adjusted its market strategies and planning and achieved results. During the Reporting Period, the demand for API market increased as compared to the same period in 2023, driving up sales volume. However, the overall year-on-year decline in raw material prices was significant and market competition was intensified. While the Company strived to maintain the API pricing system, the trend of price wars became increasingly evident, causing API sales prices to remain low during the Reporting Period. According to data from the General Administration of Customs, the export price of heparin remained at a low point. In the face of challenges posed by market competition, the Group responded calmly, actively adjusted its market strategies, and tackled difficulties head-on amidst the market impact, consistently adhering to the strategy of establishing quality through its products and building its brand through its products while maintaining the pricing system. The Group will not blindly follow the market's price war, but will instead strengthen its product competitiveness to consolidate market share.

CDMO Business

During the Reporting Period, the Group's CDMO business achieved sales of approximately RMB1,033.8 million, representing a year-on-year increase of approximately 6.9%. Not only did sales revenue recover and grow, but the gross profit margin also rose significantly, increasing by approximately 10.9% year-on-year to approximately 32.9% in 2024, reflecting the Group's achievements in cost control and business optimization. Throughout the Reporting Period, the Group continued to consolidate and deepen its cooperative relationships with existing clients, maintaining stable business growth. Simultaneously, the Group actively developed new customer groups, strengthened marketing efforts to reach more potential clients, and expanded the coverage of its CDMO business. Additionally, the Group optimized its internal project management mechanisms, implemented new plans, and adopted more effective project management strategies to enhance customer satisfaction and loyalty, further consolidating cooperative relationships. To enhance the competitive advantage of its CDMO business, the Group actively consolidated internal resources during the Reporting Period to build more diversified business capabilities. The CDMO business, driven by Cytovance Biologics, Inc. ("**Cytovance**") and SPL Acquisition Corp. ("**SPL**"), leverages synergistic effects to improve overall business performance. Benefiting from the collaborative efforts of both platforms, the Group can more comprehensively allocate resources and capacity, enabling the CDMO business to serve clients more efficiently and create more growth momentum for the business.

Innovative Drugs and Innovation Business

During the Reporting Period, the Group signed a distribution agreement with Zhejiang Yongtai Pharmaceutical Co., Ltd. (浙江永太藥業有限公司) ("**Yongtai Pharmaceutical**"), pursuant to which Yongtai Pharmaceutical granted the Group a license to commercialize Gabapentin capsules in the United States. According to such agreement, the Group will purchase Gabapentin capsules from Yongtai Pharmaceutical at an agreed price and will be responsible for the commercialization of Gabapentin capsules in the United States market.

At the same time, the Group's self-operated team in the United States continued to advance the commercialization of Fozaprepitant dimeglumine, a product under Chia Tai Tianqing Pharmaceutical Group Co. Ltd., in the United States market, including marketing, promotion, sales, and distribution of the product.

The continuously expanding new business varieties fully reflect the Group's commitment to international operations and support for Chinese pharmaceutical companies' strategies to enter the European and American markets. The Group has established complete self-operated teams in five countries in Europe, namely the United Kingdom, Italy, Spain, Germany, and Poland, as well as in the United States, with well-developed sales networks and channels. The Group is actively evaluating drugs with significant potential and synergistic value to seek new business growth and partnerships.

H1710

H1710 is a candidate drug independently developed by the Group, and the Group owns the global rights to develop and commercialize H1710. H1710 is a novel compound that targets heparanase, a heparin-degrading enzyme. It has a suitable chain length and a unique flexible structure, and competitively binds to heparanase with heparan sulfate proteoglycans or heparin, making it a highly efficient and selective heparanase inhibitor. Heparanase is overexpressed in various tumors and is associated with tumor growth and metastasis. Studies have shown that targeting heparanase is a new anticancer strategy of cancer treatment. The Group's preclinical research has demonstrated that H1710 exhibits anti-tumor pharmacological activity by inhibiting the activity and expression of heparanase. H1710 has shown significant anti-tumor effects in various tumor animal models. In February 2025, the Group received the Notice of Approval for Clinical Trial (《藥物臨床試驗批准通知書》) issued by the National Medical Products Administration (NMPA) for approving the clinical trial of H1710 injection.

Oregovomab

Oregovomab, a murine monoclonal antibody, is an anti-CA125 immunotherapy drug candidate being developed by a subsidiary of the Company, OncoQuest Inc. It has completed a Phase II clinical trial as a standard treatment combined with chemotherapy in patients with advanced primary ovarian cancer. The Group has exclusive development and commercial rights for Oregovomab in the Greater China region. An interim analysis of Oregovomab Phase III clinical trial suggested that the study did not meet its intended objectives and a patient follow-up on survival statistics is being conducted as recommended by the Data and Safety Monitoring Board (DSMB). The Group will actively explore options to advance the development of new drugs for Oregovomab. One of the Group's subsidiary, Shenzhen OncoVent Biomedical Technology Co., Ltd., has also entered into a licensing agreement for Oregovomab with Orient EuroPharma Co., Ltd. (a biotechnology company). The Group will continue to explore cooperation opportunities, accelerate the strategic layout of innovative drugs and build up diversified commercialization capabilities.

AR-301 (Salvecin)

AR-301 is a fully human monoclonal IgG1 antibody (mAb) that specifically targets S. aureus alpha-toxin. It is being developed by a subsidiary of the Company, Aridis Pharmaceuticals, Inc. ("**Aridis**"). The Group has exclusive development and commercial rights in the Greater China region. AR-301 was granted Fast Track Designation by the United States Food and Drug Administration (the "**FDA**") and Orphan Drug Designation by the European Medicines Agency (the "**EMA**"). The Global Phase III Study of Tosatoxumab (AR-301) in Combination with Antibiotics (SOC) for the Treatment of Staphylococcus aureus Ventilator-associated Pneumonia did not reach the primary study endpoint. However, the study data revealed that Tosatoxumab significantly improves outcomes for patients over age 65 with ventilator-associated pneumonia, and also demonstrates efficacy against Methicillin-resistant Staphylococcus aureus (MRSA) infections. Based on this finding, Aridis has discussed with and obtained guidance from the FDA and the EMA on the design of a second Phase III study for the treatment of hospitalized patients who are diagnosed with pneumonia caused by Staphylococcus aureus and require mechanical ventilation by combining it with standard-of-care antibiotics.

RVX-208 (Apabetalone)

RVX-208 is a selective inhibitor of bromodomain and BET proteins with selectivity for the second bromodomain. It is the first small molecule drugs being developed by a subsidiary of the Company, Resverlogix Corp.. The Group has exclusive development and commercial rights in the Greater China region. RVX-208 has completed phase III clinical trial (BETonMACE) in combination with standard-of-care antibiotics to reduce the incidence of major adverse cardiovascular events among high-risk cardiovascular disease patients with type II diabetes mellitus, recent acute coronary syndrome, and low levels of high-density lipoprotein (HDL). RVX-208 was granted Breakthrough Therapy Designation by the FDA in February 2020 and the clinical plan for pivotal phase III was approved by the FDA in June 2020. Apabetalone, the first drug in its class to receive the FDA Breakthrough Therapy approval for a major cardiovascular indication, will further advance its drug development progress, including planned clinical trials and the implementation of an accelerated development strategy.

Outlook

In the current complex and rapidly changing global economic environment, the Group continues to face significant challenges, including the impacts of trade protectionist policies and short-term pressures on heparin industry chain pricing. Nevertheless, the Group remains cautiously optimistic about the future and is firmly committed to advancing its high-quality development strategy to ensure sustainable long-term growth of the Group.

To address these challenges, the Group will further deepen its internationalization strategy, accelerate its global presence, enhance its brand influence, and increase market penetration to consolidate the Group's leading position in the global heparin industry. The Group will proactively respond to changes in policies across various countries, carefully analyze and assess market challenges and opportunities, and adjust marketing strategies to meet diverse market demands of different countries and regions. Additionally, the Group is strengthening its global supply chain system to improve coordination in raw material procurement, production, and sales, thereby enhancing integrated competitiveness domestically and internationally. Faced with shifting market demands, the Group will flexibly adjust its production and operational strategies to reduce costs and bolster profitability.

In the finished dosage form business, the Group has further deepened its global market expansion to enhance competitive advantages. The Group will continuously optimize its marketing strategies, increase market penetration, and improve sales share and market presence. Leveraging its global sales management system, local marketing teams, and business partnerships, the Group showed its strength in sales growth, and aims to proactively explore new market opportunities and strengthen product promotion to drive sales growth. In other overseas markets, the Group will seize market opportunities through agile market strategies, actively expanding market share in Asia-Pacific, Latin America, and emerging countries like Argentina, while quickly entering markets and advancing sales through cooperation with local pharmaceutical enterprises. Despite tariff and pricing pressures in certain markets, the Group will improve pricing flexibility and competitiveness through optimized cost management and pricing strategies, adapting swiftly to market changes.

In its API business, the Group will maintain a strategic focus. Based on industry trends and market demand analysis, the Group acknowledges that there is sufficient overall API supply, with prices stabilizing at lower levels and customers adopting a cautious approach. However, with a recovery in end-market demand and raw material inventories bottoming out, the Group will closely monitor and analyze market developments and trends, as well as dynamically adjust strategies to strengthen resilience and competitiveness in the API business. Concurrently, the Group will actively expand its client base, develop new markets, and establish diversified sales channels. The Group remains vigilant and responsive to the rapidly changing business environment, enhancing supply chain efficiency and collaborative capabilities to consistently meet customer needs.

The CDMO business will continue to support dual-platform development through Cytovance and SPL, integrating production capacity and coordinating project timelines to better fulfill customer demands, increase retention rates, and scale overall business growth. The Group will further enhance market development and customer relationship management, boosting penetration in CDMO business and accurately identifying both current and potential customer needs. Additionally, the Group will improve production and managerial efficiency, enhance internal management, optimize project workflows, and elevate operational effectiveness, ensuring long-term development of the CDMO business. Ongoing technological advancements and strengthened R&D investment will elevate the Group's CDMO technical capabilities, providing high-value-added services to customers.

In the face of intense market competition, the Group will continue to strengthen meticulous management, optimize organizational structures, and establish a flat, efficient corporate framework to comprehensively boost operational efficiency and profitability. The Group will continuously improve process management, enhance decision-making efficiency, and swiftly adapt to market changes. Additionally, the Group will increase management precision, optimize resource allocation, and effectively manage human resources, capital, and production capacities, thereby fortifying and enhancing its financial strength. The Group firmly believes that, through the collective efforts of its employees, the Group will continue to generate significant value, delivering fruitful results to shareholders, customers, and society, and embracing an even brighter future.

Financial Review

Revenue

	For the year ended December 31,				Year-on-year
	2024	**2024**	2023	2023	**increase/**
	Sales amount	**% of Revenue**	Sales amount	% of Revenue	**decrease**
	RMB'000		*RMB'000*		***(%)***
Sale of goods	**4,157,537**	**79.0%**	4,415,058	81.3%	(5.8%)
Finished dose pharmaceutical products	**2,986,129**	**56.8%**	2,979,030	54.9%	0.2%
API	**1,065,692**	**20.2%**	1,307,343	24.1%	(18.5%)
Others[1]	**105,716**	**2.0%**	128,685	2.4%	(17.8%)
CDMO services	**1,033,790**	**19.7%**	966,952	17.8%	6.9%
Others[2]	**67,592**	**1.3%**	48,964	0.9%	38.0%
Total	**5,258,919**	**100%**	5,430,974	100.0%	(3.2%)

Revenue from manufacturing and sales of goods decreased by approximately RMB257.6 million to approximately RMB4,157.5 million, accounting for approximately 79.0% of the total revenue during the Reporting Period, as compared with approximately RMB4,415.1 million or accounting for approximately 81.3% of the Group's revenue in 2023. The decrease in revenue from manufacturing and sales of goods was mainly due to the year-on-year decrease in sales revenue of API during the Reporting Period.

Cost of sales

During the Reporting Period, cost of sales decreased by approximately RMB970.5 million to approximately RMB3,519.6 million, as compared with approximately RMB4,490.1 million in 2023. The cost of sales decreased mainly due to (i) the transfer of inventory costs for which inventory write-down provisions were made which offsetted the inventory costs, and (ii) the reduction in inventory write-down provisions for APIs during the Reporting Period.

Gross Profit

	For the year ended December 31,			
	2024	**2024**	2023	2023
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin
	RMB'000	***(%)***	*RMB'000*	*(%)*
Sale of goods	**1,357,356**	**32.6%**	693,525	15.7%
Finished dose pharmaceutical products	**950,329**	**31.8%**	1,284,627	43.1%
API	**411,058**	**38.6%**	(560,161)	(42.8%)
Others[(1)]	**(4,031)**	**(3.8%)**	(30,941)	(24.0%)
CDMO services	**340,298**	**32.9%**	213,036	22.0%
Others[(2)]	**41,660**	**61.6%**	34,335	70.1%
Total	**1,739,314**	**33.1%**	940,896	17.3%

Notes:

(1) Other products mainly include Pancreatin API.

(2) Other business mainly includes manufacture and marketing services, processing services, technical support services and other services.

During the Reporting Period, gross profit increased by approximately RMB798.4 million to approximately RMB1,739.3 million, as compared with approximately RMB940.9 million in 2023. During the Reporting Period, gross profit margin increased by approximately 15.8 percentage points to approximately 33.1%, as compared with approximately 17.3% in 2023. The increase in gross profit margin was mainly due to (i) the reversal of inventory costs for which the provision for inventory write-down was made in 2023 which reduced inventory costs, and (ii) the decrease in the provision for inventory write-down made for API during the Reporting Period. The costs of sales included the amount of inventory impairment loss. In 2024, the impairment amount provided by the Group was only approximately RMB7.6 million, while the amount provided by the Group in 2023 was approximately RMB855.4 million, which led to a significant increase in costs of sales in 2023.

The cost of sales included the inventory impairment provision of approximately RMB 7.6 million (2023: approximately RMB855.4 million). Excluding such amount, the adjusted gross profit in 2024 was approximately RMB1,746.9 million (2023: approximately RMB1,796.3 million) and the adjusted gross profit margin was slightly increased to approximately 33.2% (2023: approximately 33.1%).

Finance Costs

The Group's finance costs mainly consist of interest on bank borrowings and corporate bonds and other finance costs. During the Reporting Period, finance costs decreased by approximately RMB82.9 million to approximately RMB145.2 million, as compared with approximately RMB228.1 million in 2023, representing a decrease of approximately 36.3%. The decrease in finance costs was mainly due to a decrease in interest on corporate bonds and bank borrowings as compared with 2023.

Taxation

During the Reporting Period, income tax expense was approximately RMB101.3 million, as compared with an income tax credit of approximately RMB126.2 million in 2023.

Impairment losses on property, plant and equipment and other intangible assets

The Group recognized an impairment loss of approximately RMB55.4 million on property, plant and equipment and other intangible assets during the Reporting Period. The Group mainly focused on the development expenditure of AR-301 injection. Based on the status of the research and development project and the principle of prudence, a dynamic evaluation and adjustment was conducted on the ongoing projects, estimating the recoverable amounts for projects showing signs of impairment. In 2024, the Group engaged an independent third party appraiser to conduct an impairment assessment on the idle fixed assets of Chengdu Sunrace Animal Products Co., Ltd.* (成都深瑞畜產品有限公司), one of the Group’s subsidiaries. The estimated results of the recoverable amounts indicated that the assets’ recoverable amounts were lower than the carrying amounts, thus the carrying amounts of the assets were reduced to the recoverable amounts.

Profit/Loss Attributable to Equity Holders of the Company

During the Reporting Period, profit attributable to equity holders of the Company was approximately RMB646.7 million, as compared with loss attributable to equity holders of the Company of approximately RMB783.3 million in 2023.

Earnings/Loss per Share

The basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares of the Company in issue for the Reporting Period. The diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares of the Company in issue for the Reporting Period (with adjustments made for all potential dilution effect of the ordinary shares).

For the Reporting Period, both basic earnings per share and diluted earnings per share were RMB0.44, as compared with both basic loss per share and diluted loss per share of RMB0.53 in 2023.

Liquidity and Financial Resources

Treasury Policies

The primary objective of the Group's capital management is to maintain its ability to continue to operate so that the Group can constantly provide returns for shareholders of the Company and benefits for other stakeholders by implementing proper product pricing and securing access to financing at reasonable costs. The Group actively and regularly reviews and manages its capital structure and makes adjustments by taking into consideration of the changes in economic conditions, its future capital requirements, prevailing and expected profitability and operating cash flows, expected capital expenditures and expected strategic investment opportunities. The Group closely monitors its debt-to-asset ratio, which is defined as total borrowings divided by total assets.

Liquidity and Financial Resources

The Group's liquidity remains strong. During the Reporting Period, the Group's funds was primarily from its ordinary business. As at December 31, 2024, the Group's cash and bank balances were approximately RMB1,421.8 million (December 31, 2023: approximately RMB1,765.6 million).

Capital Structure

As at December 31, 2024, the Group recorded short-term loans of approximately RMB2,367.2 million (December 31, 2023: approximately RMB3,624.6 million) and long-term loans of approximately RMB1,081.0 million (December 31, 2023: approximately RMB1,810.0 million).

Pledge of Assets

As at December 31, 2024, the Group's assets of approximately RMB2,922.0 million were pledged to banks and other financial institutions to secure the credit facilities granted to the Group (December 31, 2023: approximately RMB2,995.5 million).

Contingent Liabilities

As at December 31, 2024, neither the Group nor the Company had material contingent liabilities (December 31, 2023: nil).

Asset-liability Ratio

As at December 31, 2024, the Group's total assets amounted to approximately RMB17,343.5 million (December 31, 2023: approximately RMB19,203.4 million), whereas the total liabilities amounted to approximately RMB5,141.4 million (December 31, 2023: approximately RMB7,215.0 million). The asset-liability ratio (i.e., total liabilities divided by total assets) was approximately 29.6% (December 31, 2023: approximately 37.6%).

Interest Rate Risk

The Group's exposure to the risk of changes in interest rates relates to the interest-bearing bank and other borrowings with floating interest rates. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. As at December 31, 2024, the Group had approximately 69.6% interest-bearing borrowings bearing interest at fixed rates (December 31, 2023: approximately 96.6%).

Indebtedness

	As at December 31, 2024 *RMB'000*	As at December 31, 2023 *RMB'000*
Interest-bearing bank and other borrowings	**3,448,209**	5,434,596
Lease liabilities	**96,592**	128,220
Total financial indebtedness	**3,544,801**	5,562,816
Pledged bank deposits	**(80)**	(80)
Net financial indebtedness	**3,544,721**	5,562,736

The maturity profile of the Group's interest-bearing bank and other borrowings is set out as follows:

	As at December 31, 2024 *RMB'000*	As at December 31, 2023 *RMB'000*
Repayable:		
Within one year or on demand	**2,367,161**	3,624,575
After one year but within two years	**567,118**	772,003
After two years but within five years	**335,213**	642,237
After five years	**178,717**	395,781
Total	**3,448,209**	5,434,596

The Group's bank borrowings as at December 31, 2024 was approximately RMB2,604.2 million (December 31, 2023: approximately RMB4,365.9 million). As at December 31, 2024, the Group had no remaining corporate bond (December 31, 2023: approximately RMB512.7 million). As at December 31, 2024, the Group's total amount of other borrowings was approximately RMB844.0 million (December 31, 2023: approximately RMB556.0 million).

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

December 31, 2024

1. Corporate Information

The Company is a joint stock company with limited liability established in the People's Republic of China (hereafter, the "**PRC**") on April 21, 1998. With the approval of the China Securities Regulatory Commission, the Company completed its initial public offering and was listed on the Shenzhen Stock Exchange (stock code: 002399.SZ) on May 6, 2010. The Company completed its public offering in Hong Kong and its H shares were listed on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") (stock code: 9989) on July 8, 2020. The registered address of the office of the Company in the PRC is No.21 Langshan Road, Nanshan District, Shenzhen. The Company's principal place of business in Hong Kong is at Room 4724, 47/F, Sun Hung Kai Centre, 30 Harbour Road, Wan Chai, Hong Kong. The Company is ultimately controlled by Mr. Li Li and Ms. Li Tan who are acting in concert.

The Group is principally engaged in biopharmaceutical production, biopharmaceutical services, biopharmaceutical trading and biopharmaceutical research and development in Asia, Europe, North America and Australia, and investment business in Asia and North America.

2.1 Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board (the "**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance.

They have been prepared under the historical cost convention, except for equity investments designated at fair value through other comprehensive income, derivative financial instruments and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group and its subsidiaries (collectively referred to as the "**Group**") for the year ended December 31, 2024. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Group. 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 statements of the subsidiaries are prepared for the same reporting period 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 derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised 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 Changes in Accounting Policies and Disclosures

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*
Amendments to IAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*

The nature and the impact of the new and revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of IFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

(b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

    The Group has reassessed the terms and conditions of its liabilities as at January 1, 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the Group's financial statements.

3. **Operating Segment Information**

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

(a) The finished dose pharmaceutical products segment mainly includes enoxaparin sodium injection products.

(b) The active pharmaceutical ingredient segment includes standard heparin sodium active pharmaceutical ingredients, and enoxaparin sodium active pharmaceutical ingredients.

(c) The CDMO segment includes R&D, manufacturing, quality management, program management and commercial manufacture under customers' specific orders.

(d) The "others" segment.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax from continuing operations. The adjusted profit/loss before tax from continuing operations is measured consistently with the Group's profit before tax except that other income and gains, selling and distribution expenses, administrative expenses, impairment losses on financial and contract assets, other expenses, finance costs and share of profits and losses of associates are excluded from such measurement.

Segment assets exclude cash and cash equivalents, pledged deposits, deferred tax assets, equity investments designated at fair value through other comprehensive income, derivative financial instruments, financial assets at fair value through profit or loss and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

For the year ended December 31, 2024

Segments	Finished dose pharmaceutical products *RMB'000*	API *RMB'000*	CDMO *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue:					
Sales to external customers	**2,986,129**	**1,065,692**	**1,033,790**	**173,308**	**5,258,919**
Intersegment sales	**4,158,483**	**2,320,102**	**128**	**241,719**	**6,720,432**
	7,144,612	**3,385,794**	**1,033,918**	**415,027**	**11,979,351**
Reconciliation:					
Elimination of intersegment sales					**(6,720,432)**
Revenue from contracts with customers					**5,258,919**
Segment results:	**1,007,545**	**551,056**	**370,455**	**118,971**	**2,048,027**
Reconciliation:					
Elimination of intersegment results					**(308,713)**
Other income and gains					**531,444**
Selling and distribution expenses					**(389,441)**
Administrative expenses					**(638,465)**
Impairment losses on financial and contract assets					**(58,542)**
Impairment losses on an investment in associates					**(85,517)**
Impairment losses on property, plant and equipment and other intangible assets					**(55,365)**
Other expenses					**(30,174)**
Finance costs					**(145,205)**
Share of losses of associates					**(141,820)**
Group's profit before tax					**726,229**

For the year ended December 31, 2024 (continued)

Segments	Finished dose pharmaceutical products *RMB'000*	API *RMB'000*	CDMO *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment assets	**5,080,997**	**10,525,204**	**2,975,840**	**3,958,088**	**22,540,129**
Reconciliation:					
Elimination of intersegment receivables					**(12,216,851)**
Corporate and other unallocated assets					**7,020,246**
Total assets					**17,343,524**
Segment liabilities	**2,913,351**	**3,650,387**	**363,242**	**2,684,770**	**9,611,750**
Reconciliation:					
Elimination of intersegment payables					**(6,636,193)**
Corporate and other unallocated liabilities					**2,165,846**
Total liabilities					**5,141,403**
Other segment information					
Impairment losses recognised in the in the statement of profit or loss, net	**4**	**51,178**	**76,342**	**71,900**	**199,424**
Depreciation and amortisation	**51,402**	**93,261**	**171,041**	**19,205**	**334,909**
Investments in associates					**350,320**
Capital expenditure*	**12,051**	**213,356**	**78,338**	**1,691**	**305,436**

For the year ended December 31, 2023

Segments	Finished dose pharmaceutical products	API	CDMO	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue:					
Sales to external customers	2,979,030	1,307,343	966,952	177,649	5,430,974
Intersegment sales	3,469,110	2,137,584	1,309	270,601	5,878,604
	6,448,140	3,444,927	968,261	448,250	11,309,578
Reconciliation:					
Elimination of intersegment sales					(5,878,604)
Revenue from contracts with customers					5,430,974
Segment results:	1,224,118	(405,677)	213,038	59,932	1,091,411
Reconciliation:					
Elimination of intersegment results					(150,515)
Other income and gains					222,317
Selling and distribution expenses					(517,416)
Administrative expenses					(674,546)
Impairment losses on financial and contract assets					(22,548)
Impairment losses on goodwill					(68,155)
Impairment losses on an investment in an associate					(9,801)
Impairment losses on property, plant and equipment and other intangible assets					(44,515)
Other expenses					(78,528)
Finance costs					(228,087)
Share of losses of associates					(447,951)
Group's loss before tax					(928,334)

For the year ended December 31, 2023 (continued)

Segments	Finished dose pharmaceutical products *RMB'000*	API *RMB'000*	CDMO *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment assets	4,888,040	11,710,207	2,392,778	1,152,181	20,143,206
Reconciliation:					
Elimination of intersegment receivables					(6,149,428)
Corporate and other unallocated assets					5,209,639
Total assets					19,203,417
Segment liabilities	2,846,630	3,822,929	421,666	2,684,939	9,776,164
Reconciliation:					
Elimination of intersegment payables					(7,390,598)
Corporate and other unallocated liabilities					4,829,474
Total liabilities					7,215,040
Other segment information					
Impairment losses recognised in the in the statement of profit or loss, net	3,859	28,520	68,490	44,150	145,019
Depreciation and amortisation	50,921	104,098	84,492	138,337	377,848
Investments in associates					1,004,046
Capital expenditure*	381,103	31,561	41,399	15,783	469,846

* As at 31 December 2024 and 2023, capital expenditure consists of additions to property, plant and other intangible assets.

Geographical information

(a) *Revenue from external customers*

	2024	2023
	RMB'000	*RMB'000*
Hong Kong	**7,204**	18,098
United States of America	**1,430,427**	1,277,604
Europe	**2,372,846**	2,615,709
Mainland China	**339,157**	397,837
Other countries/regions	**1,109,285**	1,121,726
Total Revenue	**5,258,919**	5,430,974

The revenue information above is based on the locations of the customers.

(b) *Non-current assets*

	As at December 31,	
	2024	2023
	RMB'000	*RMB'000*
Mainland China	**2,570,952**	2,878,234
United States of America	**3,291,361**	3,356,795
Europe	**100,856**	126,362
Hong Kong	**3,397**	407,322
Total	**5,966,566**	6,768,713

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

Information about major customers

During the year ended December 31, 2024, revenue of approximately RMB561,367,000 derived from a single external customer accounted for more than 10% of the total revenue.

During the year ended December 31, 2023, there was no revenue derived from sales to a single external customer, including sales to a group of entities which are known to be under common control with that customer, which accounted for more than 10% of the total revenue.

4. Revenue

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended December 31, 2024

Segments	Finished dose pharmaceutical products	API	CDMO	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Types of goods or services					
Sale of products	2,986,129	1,065,692	–	105,716	4,157,537
CDMO services	–	–	1,033,790	–	1,033,790
Others	–	–	–	67,592	67,592
Total	2,986,129	1,065,692	1,033,790	173,308	5,258,919
Timing of revenue recognition					
Products transferred at a point in time	2,986,129	1,065,692	–	105,716	4,157,537
Services transferred at a point in time	–	–	574,739	21,761	596,500
Services transferred over time	–	–	459,051	45,831	504,882
Total	2,986,129	1,065,692	1,033,790	173,308	5,258,919

For the year ended December 31, 2023

Segments	Finished dose pharmaceutical products	API	CDMO	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Types of goods or services					
Sale of products	2,979,030	1,307,343	–	128,685	4,415,058
CDMO services	–	–	966,952	–	966,952
Others	–	–	–	48,964	48,964
Total	2,979,030	1,307,343	966,952	177,649	5,430,974
Timing of revenue recognition					
Products transferred at a point in time	2,979,030	1,307,343	–	128,685	4,415,058
Services transferred at a point in time	–	–	456,111	13,818	469,929
Services transferred over time	–	–	510,841	35,146	545,987
Total	2,979,030	1,307,343	966,952	177,649	5,430,974

The following table shows the amounts of revenue recognised during the current Reporting Period that were included in the contract liabilities at the beginning of the Reporting Period and recognised from performance obligations satisfied in previous periods:

	2024	2023
	RMB'000	*RMB'000*
Revenue recognised that was included in the contract liabilities balance at the beginning of the year:		
Sale of products	**22,859**	17,724
CDMO services	**344,743**	423,216
Total	**367,602**	440,940

(ii) Performance obligations

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

Sale of products

The performance obligation is satisfied at the point when control of asset is transferred to the customer.

CDMO services

For services under the FFS model, revenue is recognised over time and the performance obligation is a part of a contract that has an original expected duration of one year or less. Therefore, under practical expedients allowed by IFRS 15, the Group does not disclose the value of unsatisfied performance obligations under the FFS model.

For certain CDMO services, the directors of the Company have determined that performance obligations are satisfied upon acceptance of the deliverable products under customers' specific orders, and therefore, the performance obligation is recognised as revenue at a point in time.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at December 31 are as follows:

	2024	2023
	RMB'000	*RMB'000*
Within one year	**364,935**	493,767

All the performance obligations are expected to be recognised within one year. The amounts disclosed above do not include variable consideration which is constrained.

5. Other Income and Gains

	2024	2023
	RMB'000	*RMB'000*
Other income		
Bank interest income	**44,375**	39,521
Interest income from debt investment	**3,384**	–
Government grants related to		
– Assets*	**2,195**	2,672
– Income**	**7,537**	19,343
Dividend income from financial assets at fair value through profit or loss	**56,440**	36,433
Total other income	**113,931**	97,969
Other gains		
Foreign exchange gains, net	**–**	85,867
Gains on disposal of financial assets at fair value through profit or loss	**2,209**	1,014
Fair value gains, net:		
Financial assets at fair value through profit or loss	**131,138**	17,724
Derivative instruments	**8,486**	(86)
Gains on disposal of investment in associates	**267,236**	7,265
Others	**8,444**	12,564
Total other gains	**417,513**	124,348
Total other income and gains	**531,444**	222,317

* The Group has received certain government grants related to assets to invest in laboratory equipment and plant. The grants related to assets were recognised in profit or loss over the useful lives of the relevant assets.

** The government grants and subsidies related to income have been received to compensate for the Group's research and development costs. Certain grants related to income have future related costs expected to be incurred and require the Group to comply with conditions attached to the grants and the government to acknowledge the compliance of these conditions. These grants related to income are recognised in the statement of profit or loss on a systematic basis over the periods that the costs, for which they are intended to compensate, are expensed.

Other government grants related to income that are receivables as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivables.

6. Finance Costs

An analysis of finance costs is as follows:

	2024	2023
	RMB'000	*RMB'000*
Interest expenses on:		
Bank borrowings	**129,878**	185,053
Corporate bonds	**6,612**	33,342
Lease liabilities	**4,695**	4,824
Other finance costs	**4,020**	4,868
	145,205	228,087

7. Profit before Tax

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

	2024	2023
	RMB'000	*RMB'000*
Cost of inventories sold	**2,800,180**	3,721,533
Cost of services provided	**719,425**	768,545
Depreciation of property, plant and equipment	**240,864**	283,414
Depreciation of right-of-use assets	**38,547**	38,341
Amortisation of other intangible assets	**55,498**	56,093
Research and development costs*	**212,036**	182,433
Impairment losses on goodwill	**–**	68,155
Impairment losses on property, plant and equipment and other intangible assets	**55,365**	44,515
Auditor's remuneration	**6,410**	8,640
Employee benefit expenses (including directors' and supervisors' remuneration)：		
Salaries and other benefits	**566,562**	648,760
Pension scheme contributions, social welfare and other welfare**	**74,331**	95,615
Total	**640,893**	744,375

	2024	2023
	RMB'000	*RMB'000*
Lease payment not included in the measurement of lease liabilities	**2,734**	3,749
Finance costs	**145,205**	228,087
Foreign exchange losses/(gains), net	**12,840**	**(85,867)**
Write-down of inventories to net realisable value	**7,607**	855,380
Impairment losses on associates	**85,517**	9,801
Impairment (reversed)/losses on financial and contract assets:		
Impairment (reversed)/losses on trade receivables	**(7,745)**	712
Impairment losses on financial assets included in prepayments, other receivables and other assets and due from related parties	**66,287**	21,836
Total	**58,542**	22,548

* Research and development costs are included in "Administrative expenses" in the consolidated statement of profit or loss.

** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

8. Income Tax Expense/(Credit)

The major components of the income tax expense for the year are as follows:

	2024	2023
	RMB'000	*RMB'000*
Current tax expense/(credit)		
PRC	**6,200**	60,356
USA	**44,444**	35,960
Elsewhere	**4,134**	10,780
Under provision in prior years	**(927)**	4,357
	53,851	111,453
Deferred tax expense/(credit)		
PRC	**61,197**	(148,044)
USA	**3,942**	(46,882)
Elsewhere	**(17,679)**	(42,702)
	47,460	(237,628)
Total tax charge/(credit) for the year	**101,311**	(126,175)

9. Earnings/(Loss) per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of the basic and diluted earnings per share amounts is based on the profit attributable to ordinary equity holders of the parent, and the weighted average number of 1,467,296,204 ordinary shares (2023: 1,467,296,204) in issue during the year. The Group had no potentially dilutive ordinary shares in issue during the years ended December 31, 2024 and 2023.

The Group had no potentially dilutive ordinary shares in issue during the years ended December 31, 2024 and 2023.

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

	2024	2023
	RMB'000	*RMB'000*
Earnings/(Loss)		
Profit/(loss) attributable to ordinary equity holders of the parent	**646,742**	(783,258)

	Year ended December 31,	
	2024	2023
Number of shares		
Weighted average number of ordinary shares in issue during the year, used in the basic and diluted earnings per share calculation	**1,467,296,204**	1,467,296,204

10. Trade and Bills Receivables

	2024	2023
	RMB'000	*RMB'000*
Trade receivables	**1,204,481**	1,300,441
Bills receivable	**4,243**	3,182
Allowance for expected credit losses	**(25,927)**	(40,039)
Net carrying amount	**1,182,797**	1,263,584

The Group's trading terms with its customers are mainly on credit. The credit period is generally from one month to three months. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. The balances of trade receivables are non-interest-bearing.

An ageing analysis of the trade and bills receivables as at the end of each reporting period, based on the invoice date and net of allowance for expected credit losses, is as follows:

	2024	2023
	RMB'000	*RMB'000*
Within 1 year	**1,173,191**	1,250,716
1 year to 2 years	**18,964**	29,080
2 years to 3 years	**5,496**	10,992
Over 3 years	**11,073**	12,835
	1,208,724	1,303,623
Less: Allowance for expected credit losses	**25,927**	40,039
	1,182,797	1,263,584

The movements in the allowance for expected credit losses of trade receivables are as follows:

	2024	2023
	RMB'000	*RMB'000*
At beginning of year	**40,039**	114,464
Impairment (reversed)/losses, net	**(7,745)**	712
Amount written off as uncollectible	**(6,164)**	(76,268)
Exchange realignment	**(203)**	1,131
At end of year	**25,927**	40,039

11. Trade Payables

	2024	2023
	RMB'000	*RMB'000*
Trade payables	**299,692**	302,223

An ageing analysis of the trade payables as at the end of the reporting periods, based on the invoice date, is as follows:

	2024	2023
	RMB'000	*RMB'000*
Within 1 year	**290,366**	299,729
1 year to 2 years	**8,592**	355
2 years to 3 years	**201**	445
Over 3 years	**533**	1,694
	299,692	302,223

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 90 days.

12. Dividends

	2024	2023
	RMB'000	*RMB'000*
Proposed final dividend – RMB25 cent (2023: nil) per ordinary share	**366,824**	–

The proposed final dividend for 2024 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. Share Capital

	2024	2023
	RMB'000	*RMB'000*
Issued and fully paid:		
1,467,296,204 (2023: 1,467,296,204) ordinary shares	**1,467,296**	1,467,296

Use of Proceeds from the H Share Listing of the Company

The H shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange on July 8, 2020 (the "**Listing Date**"), and the Company obtained net proceeds from such H shares offering (the "**Net Proceeds**") of approximately RMB3,538.4 million. According to the plan on use of Net Proceeds as set out in the prospectus dated June 24, 2020 of the Company (the "**Prospectus**"), approximately 30% of the Net Proceeds (or approximately RMB1,061.5 million) is intended to be used for improving capital structure and repaying the existing debt; approximately 30% of the Net Proceeds (or approximately RMB1,061.5 million) is intended to be used for expansion of the sales and marketing network and infrastructure in the European Union and other global markets, such as the PRC; approximately 20% of the Net Proceeds (or approximately RMB707.7 million) is intended to be used for expanding our development and manufacturing capacity and broadening the Group's product and services offering of Cytovance; and approximately 20% of the Net Proceeds (or approximately RMB707.7 million) is intended to be used for investment in innovative drugs.

As at December 31, 2024, the unutilized Net Proceeds amounted to approximately RMB293.8 million. Details are set out in the following table:

Business objectives	Unutilized Net Proceeds as at December 31, 2023 *(RMB million)*	Utilized Net Proceeds during the year ended December 31, 2024 *(RMB million)*	Unutilized Net Proceeds as at December 31, 2024 *(RMB million)*
(1) Improving capital structure and repaying the existing debt	–	–	–
(2) Expansion of the sales and marketing network and infrastructure in the European Union and other global markets, such as the PRC; in expanding production scale and organization, increasing procurement and reserves of production resources	482.2	304.9	177.3
(3) Expanding the Group's development and manufacturing capacity and broadening its product and services offering of Cytovance	92.1	55.6	36.5
(4) Investment in innovative drugs	80.0	–	80.0
(5) General working capital of the Company or, subject to permission under the PRC laws and regulations, the balance to be placed with PRC financial institutions as short-term deposits	50.0	50.0	–
Total:	704.3	410.5	293.8

As at December 31, 2024, an accumulative amount of approximately RMB1,034.4 million had been used by the Company to improve capital structure and repay the existing debt; an accumulative amount of approximately RMB836.5 million had been used to expand its sales and marketing network and infrastructure in the European Union and other global markets such as the PRC, and in expanding production scale and organization, increasing procurement and reserves of production resources; an accumulative amount of approximately RMB275.2 million had been used to enhance its development and production capabilities and to expand its product and service offerings to Cytovance; an accumulative amount of approximately RMB90.3 million had been used for investments in innovative drugs; an accumulative amount of approximately RMB1,008.3 million had been used for general working capital of the Company; and the remaining unutilized Net Proceeds of approximately RMB293.8 million were deposited with licensed financial institutions as deposits. The Group expects to fully utilize the remaining Net Proceeds on or before November 30, 2025.

The expected timeline for utilization of the unutilized net proceeds above is based on the Group's best estimation and is subject to change based on the future development of market conditions.

Significant Investments Held

During the Reporting Period and as of December 31, 2024, the Group did not hold significant investments with a value of 5% or more of the Company's total assets. As at the date of this announcement, the Group does not have any plan for material investments or purchase of capital assets.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the Reporting Period, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures.

Employee and Remuneration Policy

As of December 31, 2024, the Group had 1,926 employees, where their salaries and allowances were determined based on their performance, experience and the then prevailing market rates. Other employee benefits include the Mandatory Provident Fund, insurance and medical care, subsidized training, and employee share incentive schemes. During the Reporting Period, the total staff costs (including director's emoluments) were approximately RMB640.9 million (2023: approximately RMB744.4 million).

Purchase, Sale or Redemption of Listed Securities

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company (including sale of treasury shares). As of December 31, 2024, the Company did not hold any treasury shares.

Compliance with Corporate Governance Code

The Company is committed to ensuring high standards of corporate governance and has adopted the code provisions set out in the Part 2 of the Corporate Governance Code (the "**Corporate Governance Code**") as set out in Appendix C1 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Listing Rules**"). During the Reporting Period, the Company has complied with all the applicable code provisions in the Corporate Governance Code.

The Board currently comprises four executive directors and three independent non-executive directors, with the independent non-executive directors representing more than one-third of the number of the Board members. Having such a proportion of independent non-executive directors on the Board can ensure their views carry significant weight and reflect the independence of the Board.

Final Dividend

Relevant resolution has been passed at a meeting of the Board held on March 28, 2025, and the Board proposed the distribution of a final dividend (the "**Final Dividend**") of RMB2.5 (tax inclusive) per ten ordinary shares of the Company for the year ended December 31, 2024.

If such profit distribution plan is reviewed and approved by shareholders of the Company at the 2024 annual general meeting to be held on Thursday, May 22, 2025 (the "**2024 AGM**"), the Final Dividend will be distributed no later than Tuesday, July 22, 2025 to H shares shareholders whose names appear on the register of members of the Company's H shares on Friday, May 30, 2025. The Final Dividend is denominated and declared in Renminbi. The Final Dividend payable to the holders of the Company's H shares shall be paid in Hong Kong dollars. The amount of Hong Kong dollars payable shall be calculated on the basis of the average closing exchange rates for Hong Kong dollars as announced by the Foreign Exchange Trading Centre of the PRC one calendar week prior to the approval of the Final Dividend at the 2024 AGM.

Annual General Meeting

The 2024 AGM will be held on Thursday, May 22, 2025. A notice convening the 2024 AGM will be published on the websites of the Hong Kong Stock Exchange and the Company and made available to the H shares shareholders of the Company in due course.

Closures of Register of Members

i. For attending and voting at the 2024 AGM

The register of members of the Company's H shares will be closed from Saturday, May 17, 2025 to Thursday, May 22, 2025, both days inclusive, during which period no transfer of H shares will be registered. In order to be eligible for attending and voting at the forthcoming annual general meeting, all transfer of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's H shares share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Friday, May 16, 2025.

ii. For entitlement of proposed Final Dividend

The register of members of the Company's H shares will be closed from Wednesday, May 28, 2025 to Friday, May 30, 2025, both days inclusive, during which period no transfer of H shares will be registered. In order to qualify for the proposed Final Dividend, all transfer of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's H shares share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Tuesday, May 27, 2025.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Company has devised its own code of conduct for the trading of securities by its directors, supervisors and members of senior management of the Group (who are likely to possess inside information about the securities of the Company due to their offices or employments in the Group) on terms that no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix C3 to the Listing Rules (the "**Model Code**"). Having made specific enquiry by the Company, all directors, supervisors and members of senior management of the Group have confirmed that they have complied with the required standard set out in the Model Code during the Reporting Period and up to the date of this announcement. The Company continues and will continue to ensure the compliance with the corresponding provisions set out in the Model Code.

Review of Annual Results by the Audit Committee

The audit committee of the Board (the "**Audit Committee**") has considered and reviewed the consolidated annual results of the Group for the year ended December 31, 2024 and the accounting principles and practices adopted by the Group, and has discussed with management issues in relation to internal control, risk management and financial reporting. The Audit Committee of the Board is of the opinion that the consolidated annual results of the Group for the year ended December 31, 2024 are in compliance with the relevant accounting standards, laws and regulations and have been officially disclosed in due course.

Scope of Work of Ernst & Young

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended December 31, 2024 as set out in the preliminary announcement have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Ernst & Young on the preliminary announcement.

Events after the Reporting Period

The Company has no events after the Reporting Period that need to be brought to the attention of the shareholders of the Company.

Publication of Annual Report

This announcement is published on the websites of the Company (http://www.hepalink.com/) and the Hong Kong Stock Exchange (http://www.hkexnews.hk). The Company's Annual Report 2024 containing all the information required by the Listing Rules will be made available to the H shares shareholders and published on the websites of the Company and the Hong Kong Stock Exchange in due course.

Appreciation

On behalf of the Board, I would like to express my gratitude to all shareholders for their trust, support and understanding, as well as to all the staff of the Group for their unremitting efforts.

By order of the Board
Shenzhen Hepalink Pharmaceutical Group Co., Ltd.
Li Li
Chairman

Shenzhen, the PRC
March 28, 2025

As at the date of this announcement, the executive directors of the Company are Mr. Li Li, Ms. Li Tan, Mr. Shan Yu and Mr. Zhang Ping; and the independent non-executive directors of the Company are Dr. Lu Chuan, Mr. Huang Peng and Mr. Yi Ming.