四环医药
SihuanPharm

Sihuan Pharmaceutical Holdings Group Ltd.
四 環 醫 藥 控 股 集 團 有 限 公 司
(incorporated in Bermuda with limited liability)
(Stock Code: 0460)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022 AND PROPOSED AMENDMENTS TO THE BYE-LAWS AND ADOPTION OF THE NEW BYE-LAWS

The board (the "**Board**") of directors (the "**Directors**") of Sihuan Pharmaceutical Holdings Group Ltd. ("**Sihuan Pharmaceutical**" or the "**Company**") hereby announces the consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2022 (the "**Year**") together with the comparative figures for the previous year.

FINANCIAL SUMMARY OF THE GROUP

- Certain business operating entities of the Group were disposed of during the Year and their operating results up to the date of disposal were shown separately as the results of the discontinued operations in the consolidated statement of profit or loss and other comprehensive income for the Year in accordance with accounting standards. The consolidated statement of profit or loss and other comprehensive income for the year of 2021 has been re-presented to conform with the disclosures of the Year and enable the amounts disclosed in both years to be comparable.

- Due to the impact of the continued development of the domestic epidemic and the policy changes in the pharmaceutical industry, the revenue from continuing operations for the Year was approximately RMB2,181.2 million, representing a year-on-year decrease of 28.2% as compared with approximately RMB3,038.4 million for the year ended 31 December 2021.

- The gross profit from continuing operations for the Year was approximately RMB1,487.6 million, representing a year-on-year decrease of 38.8% as compared with approximately RMB2,430.5 million for the year ended 31 December 2021.

- Due to the impact of the continued development of the domestic epidemic, channel inventory clearance and sales restructuring, the revenue from continuing operations of medical aesthetic segment for the Year was approximately RMB149.8 million, representing a year-on-year decrease of 62.5% as compared with approximately RMB399.0 million for the year ended 31 December 2021. The operating profit from medical aesthetic segment for the Year was approximately RMB3.6 million.

- The revenue from continuing operations of innovative medicine and other medicine segment for the Year was approximately RMB60.9 million, representing a year-on-year increase of 47.5% as compared with approximately RMB41.3 million for the year ended 31 December 2021, mainly due to the increase in revenue from APIs.

- Due to the impact of the policy changes in the pharmaceutical industry and the continued development of the domestic epidemic, revenue from continuing operations of generic medicine segment and segment operating loss for the Year were approximately RMB1,970.5 million and approximately RMB16.0 million respectively, compared to revenue of approximately RMB2,598.1 million and profit of approximately RMB1,307.0 million for the year ended 31 December 2021.

- Due to many research and development ("**R&D**") pipelines of Xuanzhu Biopharmaceutical Technology Co., Ltd. ("**Xuanzhu Biopharm**") and Jilin Huisheng Biopharm Co., Ltd. ("**Huisheng Biopharm**") which have entered into phase 2 or phase 3 clinical trials and the development of medical aesthetic segment, the R&D expenses for the Year amounted to approximately RMB936.6 million, representing an increase of approximately RMB68.5 million as compared to approximately RMB868.1 million for the year ended 31 December 2021. R&D expenses will be expected to increase continuously year by year.

- Due to the policy changes in the pharmaceutical industry, the sales price and sales volume of products were affected in different degrees. The Group impaired the related assets according to impairment test. Impairment losses on property, plant and equipment, intangible assets, goodwill, right-of-use assets, investment properties and investments accounted for using the equity method during the Year amounted to approximately RMB1,130.6 million, RMB113.1 million, RMB8.8 million, RMB84.5 million, RMB0.8 million and RMB389.3 million respectively (2021: Nil, RMB131.3 million, Nil, Nil, Nil and Nil), totaling approximately RMB1,727.1 million (2021: RMB131.3 million).

- For the above reasons, the Group suffered a loss for the Year amounting to approximately RMB2,283.3 million (2021: profit of RMB232.8 million).

- The profit attributable to owners of the Company from continuing operations for the previous year of approximately RMB416.5 million while there was a loss attributable to owners of the Company of approximately RMB1,914.9 million for the Year. The loss attributable to owners of the Company for the Year was less than the loss for the Year due to the allocation of losses to non-controlling interests of the subsidiaries that incurred losses.

- The basic loss per share was RMB20.52 cents for the Year.

- The Board recommended the declaration and payment of a final cash dividend of RMB3.2 cents per share for the Year by considering that the Group's innovative transformation of its medical aesthetic and innovative biopharmaceuticals businesses achieved remarkable results, except for the Group's results were affected by the continued development of the domestic epidemic and policy changes in the pharmaceutical industry that have resulted in losses. The application for the spin-off listing of Xuanzhu Biopharm on the STAR Market of the Shanghai Stock Exchange is in progress and Huisheng Biopharm has successfully raised funds of RMB1,080.0 million (of which RMB100.0 million was invested by a subsidiary of the Group). All these ensured that the Group's financial position remains healthy and stable.

- During the Year, net cash flows from operating activities amounted to approximately RMB46.5 million. Huisheng Biopharm successfully achieved funds raising of RMB1,080.0 million (of which RMB100.0 million was invested by a subsidiary of the Group) and dividends of approximately RMB1,315.5 million were paid to shareholders of the Company. As at 31 December 2022, the Group's cash and cash equivalents plus wealth management products amounted to approximately RMB4,791.9 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

In 2022, under the impact of various factors such as the COVID-19 epidemic, complicated and changing international situations, the international community entered a period of historic change and turbulence. In view of the rising global political instability and the continuing sluggish global economy, the International Monetary Fund expected that the global real GDP growth rate would decrease from 6.0% in 2021 to 3.2% in 2022, and would continue to slow down to 2.7% in 2023. In China, the policies and regulations, the prevention and control of the epidemic and other factors continued to weigh on its economic resilience in 2022. With the optimization and relaxation of the control measures against COVID-19 and the persistent effects of policies aiming to achieve stable growth, China is expected to be among the first to recover in 2023. In terms of the market, the valuation of Hong Kong stocks is relatively low caused by the previous suppression. As the pressure is gradually relieved, the Hong Kong stock market will show stronger resilience and is likely to yield significant positive returns.

In 2022, the medical aesthetics industry experienced a difficult recovery amid a volatile situation. As a result of the resurgence of the epidemic, many cities and regions had been subject to lockdowns for several months. As a result, the operations of downstream end institutions, which focused on offline consumption, were affected, and consumer demand for medical aesthetics was dampened. Such impact also spread to the upstream of the industrial chain, resulting in lower product supply than that expected early in the year. Besides, during the Year, the transparency and regulation of the industry were gradually improved and strengthened and turned to be normalized, and policies were gradually channeled down to the lower-tier markets, in order to encourage the development of high-quality standardized products, while cracking down on illegal medical aesthetic products and services. All of these further promoted the professional and standardized development of the industry and the establishment of industrial high quality standards. Formal leading players in the medical aesthetics market will enjoy new development opportunities in this wave. Looking forward into 2023, with the relaxation of epidemic control and the recovery of economic activities in China, it is expected that the pent-up demand will show a V-shaped rebound, driving a rapid recovery of the medical aesthetics industry with a strong rebound in corporate performance.

During the Year, the pharmaceutical industry remained differentiated under the impact of the epidemic, presenting an overall volatile and weak performance. In the first three quarters of the year, the overall performance of the pharmaceutical industry was affected by the epidemic lockdown and control measures to varying degrees. In addition, the price reduction of the sixth batch of centralized procurement was officially implemented, and the results of the seventh batch of centralized procurement were announced, which further squeezed the profit margins of many pharmaceutical companies. Since the fourth quarter, the domestic epidemic prevention and control policies have been gradually optimized, and even fully relaxed in early 2023, which indicates that the operating conditions of the pharmaceutical industry will gradually improve. Specifically, the innovative drug segment has entered into a new stage. For instance, pharmaceutical companies with independent innovation and R&D strength have entered into a new product cycle, while those possessing me-better and even first-in-class (FIC) products have become major factors driving the next stage of growth. And companies with ample cash flows are expected to further expand their business externally or intensify merger, acquisition and introduction, embracing more opportunities so as to further emerge. Moreover, with the centralized procurement policy being normalized and the system of negotiation agenda on national drug reimbursement list being improved, together with a specific and moderate price reduction under the policy, market pessimism is receding, and the core assets of pharmaceutical industry are expected to be revalued. Among which, traditional generic drug companies with strong innovation and R&D capabilities and being well-positioned to achieve the innovative transformation will take the lead in recovery.

The Group's Business

During the 2022, the Group achieved remarkable results in innovation driving, transformation and upgrading. During the Year, the Group fully implemented the two-wheeled strategy, further promoted the building of a leading medical aesthetic and biopharmaceutical company in China, accelerated the upgrading and development of the pharmaceutical business of the Company to transform to innovative drugs, and gradually disposed of part of the generic medicine business with unsatisfactory performance. So far, the Group has not only diversified high-value innovative biopharmaceutical product pipelines and high-quality independent R&D platforms, but also dozens of new medical aesthetic product pipelines. The Company has successfully completed its magnificent turn as it obtained the "Annual Transformation Pioneer Company Award" (年度轉型先鋒公司獎) of Gelonghui Greater China Listed Company Awards held by Gelonghui (格隆匯) during the Year, which demonstrated that its strength and qualification have been well recognized by the market.

Specifically, the Group made adjustment to its organizational structure by setting the overall organizational structure into a dual organizational structure consisting of the group headquarters and the business platform headquarters. Separate business platform headquarters were also established for the two biopharmaceutical sectors, Xuanzhu Biopharm and Huisheng Biopharm. The Company will continue to provide strategic guidance and exercise shareholder rights in respect of the above mentioned business platform headquarters. In addition, the Company will focus its management on the business segments with higher growth potential and optimize and integrate the generic medicine business, including gradually disposing part of the generic medicine business that do not meet performance expectations and other non-core healthcare businesses to improve the operating efficiency of the Group.

Through the organizational structure adjustment, the Group will further focus its management and resources on the medical aesthetic sector with higher growth and profit margin, and the biopharmaceutical sector with high value growth, which will help emphasize the management focus, enhance management efficiency, strengthen and accelerate the strategic transformation and business upgrading and development of the Group, inspire and encourage the rapid development and expansion, as well as independent financing of the new biopharmaceutical sector, so as to maximize the value of shareholders of the Company, improve the efficiency of the Company's resource allocation, and enhance the long-term financial performance.

During the Year, despite the impact of the epidemic on our business segments to different extents, the Group has achieved business transformation and development, accelerating the R&D of new products and the commercialization of approved products, and finalizing progress in capital market based on the Group's forward-looking layout and the two-wheel drive strategy of medical aesthetics and biopharmaceuticals. Leveraging its strategic deployment and adjustment on the long-term development, the Group has achieved a lot of high-quality business progress during the Year.

MeiYan KongJian, the medical aesthetic platform of the Group, was successfully upgraded into the 2.0 marketing version for enhancing business development, which strengthened its capabilities as an international medical aesthetics platform with a full product matrix covering the life cycle of beauty seekers, including R&D, production, sales and marketing. During the Year, as for products, MeiYan KongJian diversified its product portfolios by proceeding the registration and marketing of multiple products, including hyaluronic acid Persnica™, a product exclusively distributed by the Group and produced by Hugel, Inc. ("**Hugel**") in South Korea, and nearly 20 Class II skin care dressing products self-developed by MeiYan KongJian, which have been approved by the National Medical Products Administration (the "**NMPA**") for marketing. In addition, MeiYan KongJian continued to expand business layout by introducing overseas mid- to high-end products or through mergers and acquisitions, including the introduction of Sylfirm X™, a golden microneedle product manufactured by VIOL Co., Ltd ("**VIOL**") in South Korea, and the acquisition of partial equity interests in Shenzhen Yimei Medical Technology Co., Ltd. ("**Shenzhen Yimei**") during the Year, to implement its layout in the field of optoelectronic devices. In January 2022, the Group formed a joint venture with Bluepha Co., Ltd ("**Bluepha**"), a Chinese unicorn company in the field of synthetic biomaterials, to jointly develop PHA microspheres, the next-generation regenerative material, and bio-manufacturing-based regenerative medical materials, entering into the blue ocean of synthetic biology field in advance. As for production, MeiYan KongJian also continued to improve its layout of production capacity through setting up 3 high-efficiency and low-cost production bases during the Year, with a total area of 16,000 square meters and 10 production lines, thereby realizing production automation with a sound quality management system. As for marketing, MeiYan KongJian continuously improved and enriched its marketing services. Not only did MeiYan KongJian expand the number of medical aesthetic institutions covered, but also improve the quality of coverage, making greater efforts to the provision of high value-added services and sales support to medical aesthetic institutions. As of 15 March 2023, the sales channel of Letybo® had reached 310 cities, covering over 3,500 medical aesthetic institutions.

During the Year, Xuanzhu Biopharm and Huisheng Biopharm, two of China's leading independent biopharmaceutical R&D platforms that integrate clinical research, clinical development, registration, production and sales, which were carefully incubated by the Group, have obtained positive progress in product R&D, independent financing and Xuanzhu Biopharm's listing applications, respectively, and successfully facilitated the rapid development and expansion of the Group's new biopharmaceutical business segment.

It is noticeable that Xuanzhu Biopharm has made rapid progress in R&D of several products. As for the featured product, Birociclib, a CDK4/6 inhibitor for treatment of breast cancer, its phase III clinical trials enrollment of second-line treatment with Fulvestrant has been completed, while its phase III clinical trials enrollment of first-line treatment with AI and its phase II efficacy evaluation of monotherapy final-line treatment are in progress. An application of Fulvestrant, which was introduced simultaneously for the purpose of being administrated with Birociclib, has been made to Abbreviated New Drug Application. The New Drug Application ("**NDA**") of the treatment for indication of peptic ulcer with Anaprazole Sodium has been accepted by the NMPA, and the treatment for indication of reflux esophagitis (RE) in adults has been approved for phase II clinical trials. Currently, Xuanzhu Biopharm has nearly 10 products approved to conduct clinical trials, and more than 10 drug candidates in preclinical development stage. The pipeline layout is complete and balanced in long, medium, and short terms, with strong capability to innovate continuously. The application of Investigational New Drug ("**IND**") for KM501, a bispecific antibody drug conjugate ("**ADC**"), has been accepted by the NMPA. Except the self-developed product, Xuanzhu Biopharm also introduced a number of blockbuster products with First-in-class potential. Among them, the application of IND for AXL inhibitor (XZB-0004) developed in cooperation with SignalChem Lifesciences Corporation ("**SignalChem**") has been approved in China, and the joint exploration experiments will be carried out on the Penpulimab PD-1 monoclonal antibody of CTTQ-Akeso (Shanghai) Biomed. Tech. Co., Ltd ("**CTTQ-Akeso**"), which further promotes the development of Xuanzhu Biopharm in the field of anti-oncology.

During the Year, Xuanzhu Biopharm accelerated its spin-off and listing. The Group has submitted an application to The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") and obtained the approval to spin off Xuanzhu Biopharm and apply for listing on the STAR Market of the Shanghai Stock Exchange during the Year. In addition, Xuanzhu Biopharm has received the notice of acceptance of the Listing Application from the Shanghai Stock Exchange. The Group believes that the spin-off and listing of Xuanzhu Biopharm will not only help Xuanzhu Biopharm further become an independent innovative drug R&D platform company, but also increase its financial flexibility and enhance its ability to raise external funds, to support the rapid growth and industrialization development of its business.

During the Year, Huisheng Biopharm further achieved the strategic goal of building a biopharmaceutical leader in the field of diabetes and complications with a full product matrix coverage. During the Year, the marketing applications for 9 drugs (including 7 glucose-lowering drugs and 2 complication drugs) of Huisheng Biopharm have been accepted, including class 1 innovative drug SGLT-2 inhibitor Janagliflozin, insulin degludec, insulin aspart injection, insulin aspart 30 injection and insulin aspart 50 injection. In addition, the blockbuster product insulin degludec injection has entered the pre-NDA stage. In addition to the rapid progress of products, during the Year, Huisheng Biopharm has successfully completed two rounds of financing, i.e. Round A and Round A+ financing, obtaining the investment of RMB500 million and RMB580 million respectively, totaling RMB1.08 billion, with a post-investment valuation reaching RMB5.58 billion amidst the market downturn and tightened liquidity.

As the pharmaceutical environment continues to be affected by the pandemic and policy changes, the Group carried out organizational restructuring during the Year to fully implement its two-wheel drive strategy and accelerate the upgrade of its pharmaceutical business to innovative drugs. In particular, to keep pace with the times, the CDMO business segment will no longer be the key business of the Company after 2023, and the Group has gradually organized and divested the businesses under this segment during the Year. Specifically, the Group has entered into an equity transfer agreement to transfer its entire interest in Jilin Jiahui Chemical Co., Ltd. to Beijing Lianben Technology Development Co., Ltd.

Generic drug segment of the Group has also continuously implemented the disposal of part of the generic drugs that do not meet performance expectations or do not meet long-term strategic development objectives and other non-core pharmaceutical or healthcare businesses and assets, including the completion of the disposal of 100% equity interest in Beijing Xuansheng Pharmaceutical Co., Ltd. ("**Beijing Xuansheng**").

As at the end of the reporting period, the Group had a pipeline of over 40 medical aesthetics products and over 60 innovative biopharmaceutical products, as well as three core capabilities of registration, production and sales to facilitate and accelerate the launching and commercialization of the high-quality product pipelines of medical aesthetics and pharmaceuticals segments. The Group's rapid registration ability made it the first company to bring Korean botulinum toxin into the Chinese market and also enabled the Group to complete the registration of various self-developed varieties in a very short term. Secondly, the Group has high-efficiency and low-cost production platforms, and its business layout in production capacity and raw materials enables the Group to have a strong cost advantage to achieve rapid industrialization development. In addition, the Group also has the market-recognized medical academic marketing and sales abilities. On the nationwide professional and efficient academic marketing platform, the professional marketing team and business sales network of the Group can not only promote the continuously rapid penetration of existing products, but also endow the new launched products with strong "monetization" ability.

Annual Results

During the Year, the Group recorded a total revenue of RMB2,181.2 million, representing a year-on-year decrease of 28.2% over the total revenue of RMB3,038.4 million for the same period in 2021. The decrease was mainly attributed to the impact of the continued development of the domestic epidemic and policy changes of the pharmaceutical industry during the Year.

Among them, the generic medicine segment achieved a revenue of approximately RMB1,970.5 million, representing a year-on-year decrease of 24.2%, mainly attributed to the impact of the continued development of the domestic epidemic and policy changes of the pharmaceutical industry. The medical aesthetic segment achieved a revenue of approximately RMB149.8 million, representing a year-on-year decrease of 62.5%, mainly attributed to the impact of the COVID-19 epidemic, channel inventory clearance and sales restructuring during the Year.

In addition, the Group performed impairment testing on assets annually or more frequently if events or change in circumstances indicate that the carrying amount may be impaired. As a result of the policy changes in the pharmaceutical industry, the sales price and sales volume of the products were affected in different degrees. According to impairment test, the Group impaired the property, plant and equipment, intangible assets, goodwill, right-of-use assets, investment properties and investments accounted for using the equity method, the impairment losses of which were approximately RMB1,727.1 million in total. The main businesses involved in the impairment losses included generic pharmaceuticals, APIs and healthcare.

During the Year, the Group continued to ramp up the investment in R&D to create a pipeline of over 100 medical aesthetic and biopharmaceutical products. It rapidly promoted the R&D progress of the Group's product pipeline, accelerated the product industrialization and gradually realized value amplification. During the Year, the total R&D expenses amounted to approximately RMB936.6 million, representing an increase of approximately RMB68.5 million as compared to the R&D expenses of approximately RMB868.1 million for the same period in 2021.

Although the Group's R&D expenses increased significantly year on year, this also catalyzed a significant increase in the quantity and quality of the Group's product pipelines, which have contributed to a significant increase in the corporate value, financing capacity and corporate awareness of the Group's innovative drug platform. During the Year, Huisheng Biopharm completed Round A and Round A+ equity financing, which attracted a total investment amounted over RMB1,080 million (of which RMB100.0 million was invested by a subsidiary of the Group), with a post-investment valuation of RMB5.58 billion. This was another successful financing for the Group's biopharmaceutical segment following Xuanzhu Biopharm's completion of Round A and B financing of RMB1.57 billion, which fully demonstrated the recognition of the R&D capabilities, product pipelines, management team, future industrialization and commercialization capabilities of the Group's two innovative and biological drug platforms from the capital market, as well as proved the high valuation of the product pipelines of the Group's two biopharmaceutical segments.

Given the above, loss before tax from continuing operations of the Group for the Year amounted to approximately RMB2,122.8 million, a return from the profit of RMB496.0 million in 2021, among which, approximately RMB1,727.1 million was non-cash impairment losses.

The Group persevered to maintain strong financial position. Besides, the Group paid approximately RMB1,315.5 million of dividends in aggregate for the year to give back to shareholders for their long-term support. As of 31 December 2022, the Group's cash and cash equivalents plus wealth management products amounted to approximately RMB4,791.9 million, and the total amount of cash and cash equivalents plus wealth management products, net of interest-bearing bank borrowings and other borrowings, was approximately RMB3,602.2 million. The Group's debt to equity ratio (i.e. a percentage of borrowings divided by equity attributable to owners of the Company) was 25.1%, which remained low.

Business Review

1. *Medical Aesthetic Business Segment: Accelerating Product Development and Launch, and Enhancing the Upgrade and Development of the Integration of R&D, Production and Marketing to Emerge as New Growth Driver of the Group*

In 2022, MeiYan KongJian, a medical aesthetic platform of the Group, successfully promoted the upgrading and development of 2.0 version for marketing and sales, which strengthened its capacity as an international medical aesthetics platform integrated with R&D, production and sales, and with a full product matrix covering the life cycle of beauty seekers. In addition to registering and launching a number of products, it successfully introduced a wide range of overseas mid-to-high-end medical aesthetic products to expand the product pipeline, while also completed the establishment of three high-efficiency and low-cost production bases with a total area of 16,000 square meters and 10 production lines. At the same time, MeiYan KongJian continued to improve and diversify the content of marketing service. It made greater efforts to the provision of high value-added service and sales support to medical aesthetic institutions. By making efforts in product, production and sales, it is committed to the goal of building a leading platform of the domestic medical aesthetic industry.

During the Year, the medical aesthetic business segment reached a revenue of RMB149.8 million, representing a year-on-year decrease of 62.5%, and recorded an operating profit of RMB3.6 million, mainly attributed to the fact that sales were greatly affected by factors such as the closure of downstream end institutions and personnel travel restrictions caused by the ongoing COVID-19 epidemic and related response measures as well as the channel inventory clearance by the Group. However, with the complete easing of the control on epidemic as well as the upgrading and implementation of the sales strategy by the team of MeiYan KongJian, MeiYan KongJian is expected to become a new engine of the Group's cash flow business in 2023.

MeiYan KongJian has always maintained its original intention and solidified its basic skills during the Year. MeiYan KongJian continued to upgrade its sales structure, while continuously optimized its sales strategy, improved its sales capabilities and enriched its service provision. During the Year, MeiYan KongJian launched several projects, including the embarking project, medical research project, authentic product verification activities, etc., not only to increasingly empower the sales channels, reach strategic cooperation agreements with the leading institutions to further deepen cooperation, but also cover a number of consumers through the cooperation with institutions, thereby enhancing the product strengths and brand promotion. Meanwhile, MeiYan KongJian also successfully completed the channel inventory clearance during the Year, so as to maintain the channel inventory at a healthy level. Besides, MeiYan KongJian also improved the medical support, doctor training and other services to the institutions. By communicating with the doctors to promote the professional technologies such as Le V Slight Lifting Injection (樂V小提拉打法) and Le V Skin Tightening Injection (樂V緊膚打法), MeiYan KongJian aimed to further exert the efficacy of the product, reduce the pain caused by the product injection and achieve a natural and un-tense state, thereby improving the consumer satisfaction.

During the Year, MeiYan KongJian also adopted selection and upgradation strategy against its distribution agents to eliminate those who did not meet performance expectations in certain regions. The sales model of some major regions and key institutions was changed to direct sales to further improve the provision and security of one-on-one customized services, ensuring to bring more suitable sales and marketing solutions to medical aesthetic institutions and further promote the continuous growth in sales of MeiYan KongJian in the future. As of 15 March 2023, MeiYan KongJian had a total of over 50 sales staff, most of whom held key positions in marketing and training in multinational or domestic leading medical aesthetic and pharmaceutical companies such as Allergan, Galderma and Johnson & Johnson, etc., and have over 10 years of experience in the industry. At the same time, the Group has cooperated with more than 10 distribution agents, covering 310 cities and more than 3,500 medical aesthetic institutions nationwide. The leading 500 medical aesthetic institutions are fully covered.

Through the overall layout of "direct sales and distribution", MeiYan KongJian has not only strengthened the ability to serve high-quality major customers to further empower the sales channels, but also kept continuous increase in the number of institutions covered. Furthermore, the doctor training system is gradually built through the medical department to improve and facilitate the resources binding of doctors. Leveraging on the Group's strong sales gene and medical expertise in the pharmaceutical business in the past, the Group has achieved high-quality empowerment to the channels of medical aesthetic institutions. The Group believes that further upgrading and optimizing the sales model of MeiYan KongJian will drive the long-term continuous growth in performance.

During the Year, except for sales model upgrading and channel binding optimization, MeiYan KongJian never left behind its principle of "product first" and continued to build its medical aesthetic product matrix and to provide non- or minimally-invasive medical aesthetic comprehensive solutions through further layout in filling, supporting, supplementing, optoelectronic devices, skin care and other areas.

The modified sodium hyaluronate gel for injection (product name: Persnica™), which is exclusively distributed by the Group and produced by Hugel from South Korea, obtained Class III medical device certificate from the NMPA in April 2022. Hyaluronic acid Persnica™ is a sterile, pyrogen-free, non-animalderived, cross-linked sodium hyaluronate gel for mid-dermal injections in facial tissue to correct moderate to severe nasolabial folds. The product uses singlephase cross-linking technology, which has the advantages of good support, non-spreading displacement, uniform metabolism, long-lasting shaping, high viscosity value, high cross-linking degree and high shaping capacity. Hyaluronic acid Persnica™ is a hyaluronic acid product produced by Across, a subsidiary of Hugel. The product is one of the most popular hyaluronic acid filler brands in South Korea, which is loved and sought after by young people.

In March 2022, MeiYan KongJian, a subsidiary of the Group, has reached an exclusive distribution agreement in relation to Cellbooster® series products with Suisselle SA ("**Suisselle**") from Switzerland, and obtained the exclusive distribution rights for the products in Mainland China, Hong Kong, Macau and Taiwan. Cellbooster® series products are a new generation of skin booster injection, which are the high-end Swiss hyaluronic acid complex solution products, including four products of Cellbooster® Glow, Cellbooster® Lift, Cellbooster® Shape and Cellbooster® Hair, which are used for brightening skin tone, smoothing wrinkles, local shaping and preventing hair loss and hair graying, respectively. It is the first CE-marked stabilized complex with Suisselle's unique patented physical cross-linking CHAC technology.

In January 2022, the first layout of the Group in the optoelectronic equipment market was implemented. MeiYan KongJian, a subsidiary of the Group, entered into an exclusive distribution agreement with VIOL from South Korea in respect of the SYLFIRM X™ golden microneedle (黃金微針) product and obtained the exclusive distribution right of the product in Mainland China, Hong Kong and Macau. The SYLFIRM X™ distributed by the Group is a new generation of golden microneedle, which has great advantages over other radiofrequency microneedle products currently on the market. It is also the first radiofrequency microneedle instrument with dual-wave action (continuous wave plus impulse wave) in the world, which can treat various skin problems at all layers from superficial to deep. With the rapid growth of China's radiofrequency medical aesthetics equipment market, it is believed that the new technology iterations brought by SYLFIRM X™ will be a greater attraction to Chinese medical aesthetics institutions and beauty seekers.

In January 2022, the Group further expanded its product portfolio and entered into core areas. It signed an agreement with Bluepha, whereby the two parties have established a joint venture to jointly develop PHA microspheres and bio-manufacturing-based regenerative medical materials, and the two parties will jointly complete the R&D, compliance declaration and subsequent commercial promotion of the products. PHA is an intracellular polyester synthesized by microorganisms and a natural high-molecular polymer. Whether for entering the scarce non- or minimally-invasive medical aesthetics market as a new material or in terms of the safety of the material itself, PHA will be a good choice for non- or minimally-invasive medical aesthetics. There is great development potential in the field of synthetic biology. It is predicted that in the field of commercial applications, the synthetic biology market is expected to grow rapidly at a CAGR of 30% by 2025. The strategic cooperation between the Group and Bluepha to jointly establish a joint venture gives the Group an opportunity to enter the huge industrial blue ocean of synthetic biology in advance and successfully take the first step in the vertical extension from the medical aesthetics industry end to the upstream raw material end, which will help the Group further improve its layout in the field of medical aesthetics and enhance the core competitiveness of the Group.

MeiYan KongJian has entered into an equity transfer agreement and a capital increase agreement with Shenzhen Yimei and its original shareholder to invest in Shenzhen Yimei by way of equity transfer and capital increase. After the completion, MeiYan KongJian will hold part of the equity interest in Shenzhen Yimei. The Group will launch its R&D and production in the field of optoelectronic devices by leveraging the platform of Shenzhen Yimei.

During the Year, nearly 20 skin dressing patch products independently developed by the Group obtained the Class II medical device registration certificate issued by the NMPA, including three recombinant type III collagen gel dressing, skin repair dressing and medical skin repair dressing sheet products, four medical skin care dressing patch products, three medical scar repair products, two medical skin care and repair gel products, and eight gynecological dressing products. With focus on the two pain points of wound healing and scar repair after medical aesthetics treatment, these products can be used for post-laser repair and post-surgical wound repair, etc., and accelerate the repair and regeneration of damaged tissues in a targeted manner.

In order to realize the industrialization of products under R&D, MeiYan KongJian has set up three high-efficiency and low-cost production bases in China, with a total area of 16,000 square meters. Currently, 10 production lines have been set up, covering pre-filled products, lyophilized powder injection products, active equipment and dressings, etc. The production process is automated, and the production status is controllable in real time to ensure the ability to manage details and the traceability of the production process. All production workshops meet aseptic purification requirements and have a sound quality management system, and risk management is implemented for the whole life cycle of products to ensure safety, effectiveness and quality controllability of the products.

In 2022, with the further expansion of the Group’s product matrix, the rapid advancement of product in R&D, clinical and registration stages, and the upgrading and optimization of sales services, the Group’s medical aesthetics business has successfully completed the business upgrade and development of the 2.0 marketing and sales version, and has taken a step further towards its strategic goal of becoming a leading medical aesthetics company in China that achieves full product coverage for the whole life cycle needs of beauty lovers.

2. *Innovative Medicine and Other Business Segment: Successfully achieved the innovative transformation from traditional generic drug companies to biopharmaceutical companies, and promoted the upgrading and development toward a leading biopharmaceutical company in China at full speed*

The Group has been deepening the development of the biopharmaceutical segment, accelerating the rapid development of product R&D and capital market operation of Xuanzhu Biopharm and Huisheng Biopharm, and simultaneously promoted the further integration and development of CDMO business segment. During the Year, Xuanzhu Biopharm, a leading innovative drug enterprise focusing on oncology drugs, made breakthroughs in multiple product R&D, simultaneously promoted the process of spin-off and listing on the STAR Market, and was accepted by the Shanghai Stock Exchange, continuing to promote innovative drives. The fourth-generation insulin degludec injection, a blockbuster product of Huisheng Biopharm, became the first domestic product that has applied for an NDA in China, further establishing its position as the biopharmaceutical leader with full product coverage in the field of diabetes and complications. Sihuan CDMO business further integrates and divests assets and resources. Each platform in the innovative drug and other business segment have developed side by side based on their respective advantages and paces, driving the Group to continue its innovation and transformation, and laying a solid foundation for building a leading biopharmaceutical company in China.

During the Year, the Group's operating losses in innovative medicine and other medicine segments were RMB1,400.2 million, including R&D expenses totaling RMB722.7 million, increasing 21.3% compared to the R&D expenses of RMB595.8 million for the same period in 2021.

2.1 *Xuanzhu Biopharm: One of the companies with the most comprehensive layout in the breast cancer track in China and a leading biopharmaceutical company in China with comprehensive innovative drug development capabilities in the fields of small molecules and macro molecules*

As the locomotive of the Group's innovative transformation, as well as an innovative drug platform subordinate to the Group, Xuanzhu Biopharm is an innovative pharmaceutical company deeply rooted in China with global perspective, focusing on major disease fields, including digestion, oncology and non-alcoholic steatohepatitis (NASH), and striving to continuously develop and commercialize the class 1 innovative drugs with independent intellectual property rights, and solve the treatment demands in clinically. Over ten years of development, Xuanzhu Biopharm has gathered an outstanding team of nearly 400 people led by returnee scientists, with core personnel who once worked at domestic and international leading pharmaceutical companies such as BI, Roche Group and BCHT. The company owns the ability to research and develop innovative drugs independently, forms a complete R&D system, develops continuous capability of innovation and output, and sets up two R&D systems for small-molecule and macro-molecule bio-drugs which has jointly promoted the innovative development of Xuanzhu Biopharm, forming the product pipeline of various types covering small-molecule drugs, monoclonal antibody, bispecific antibody and antibody-drug conjugates. Currently, Xuanzhu Biopharm has developed more than 20 alternative innovative drug products in different stages, and established an independent and complete integrated R&D system.

Xuanzhu Biopharm's product pipeline is mainly driven by independent R&D and supplemented by introduction. Focusing on major diseases, big markets and multi-target layout of same diseases, it has over 20 products under development in areas such as oncology, NASH and digestion. Moreover, Xuanzhu Biopharm has made a comprehensive layout for the main targets of breast cancer in the key track, and is one of the companies with the most comprehensive layout in the breast cancer track in China. During the Year, as to Birociclib (XZP-3287 CDK4/6 (cyclin-dependent kinases 4 and 6) inhibitor), the class I new drug candidate of Xuanzhu Biopharm, its phase III clinical trials enrollment of First-line treatment with aromatase inhibitor was in progress, and the phase III clinical trials enrollment of Second-line treatment with fulvestrant was completed, and phase II efficacy evaluation of the Final-line pivotal clinical trials of monotherapy treatment was in progress. Clinical data preliminarily showed that, Birociclib has the best-in-class potential. Moreover, because of the novel targeting mechanism of CDK4/6 inhibitor, Birociclib is able to demonstrate clinical benefits and market influence through multiple novel Birociclib-based combination therapies.

In December 2022, the IND application for bispecific antibody-drug conjugates KM501 (recombinant anti-HER2 domain II and domain IV bispecific antibody-MMAE conjugate for injection), independently developed by Xuanzhu Biopharm, has been accepted for the treatment of advanced solid tumors with low and intermediate expression of HER2+. As the first patented bispecific antibody-ADC in China, KM501 can simultaneously target two different epitopes of HER2 domain II and domain IV with a better anti-oncology efficacy. At present, there aren't HER2/HER2 bispecific antibody ADC drugs approved in the global market. Compared with other HER2/HER2 bispecific antibody ADC under R&D, KM501 enjoys stronger stability and high efficacy with First-in-class potential.

In July 2022, the marketing application for fulvestrant of Xuanzhu Biopharm was also accepted by NMPA. Fulvestrant injection is clinically indicated for the treatment of estrogen receptor positive (ER+) locally advanced and metastatic breast cancer. This blockbuster drug will be used in combination with CDK4/6 inhibitor Birociclib of Xuanzhu Biopharm, to treat advanced breast cancer. The combination of fulvestrant with CDK4/6 inhibitor can significantly improve the survival benefit of patients. The future launch of fulvestrant injection will further enhance the Group's strength in the field of oncology treatment.

In the same month, Xuanzhu Biopharm's self-developed Anaprazole Sodium Enteric Dissolve Tablets obtained approval from the NMPA on the investigational new drug (IND) application of phase II clinical trials for the treatment for new indication of reflux esophagitis (RE) in adults and the control of its associated symptoms (acid reflux, heartburn, retrosternal pain or discomfort, belching reflux, etc.). Anaprazole Sodium is the only new generation proton pump inhibitor independently developed in China, with proprietary intellectual property rights. The NDA for its first indication, duodenal ulcers, was submitted and accepted by the NMPA in 2021. Clinical data showed that the safety and symptom relief of the Group's developed Anaprazole Sodium are the best-in-class.

In May 2022, Xuanzhu Biopharm has successfully received IND approval from NMPA for its application of capsule XZB-0004, a highly potent, highly selective oral small-molecule AXL inhibitor with extremely low side effects, in clinical trials on advanced solid tumors and hematologic malignancies. Xuanzhu Biopharm has entered into collaboration with SignalChem in September 2021, introducing the exclusive development and commercialization rights in the Greater China region. In addition, Xuanzhu Biopharm has entered into the cooperation agreement in relation to combination therapies with CTTQ-Akeso, pursuant to which, both parties agreed to jointly carry out exploration and experiments on the XZB-0004 and the Penpulimab PD-1 monoclonal antibody of CTTQ-Akeso, with an aim of developing their application of combination therapies for solid tumors. AXL inhibitor is a highly selective, oral, small molecule product. At present, preclinical data shows that XZB-0004 is a "Best-in-Class" inhibitor. It not only has single-agent efficacy in multiple solid and hematological tumor trials, but also can potentially be in combination with a variety of drugs under development at Xuanzhu Biopharm's pipeline for treatment of a number of refractory tumors.

In March 2022, the application for the class 1 macro molecules innovative drug XZP-KM257 (recombinant anti-HER2 domain II and domain IV bispecific antibody injection), independently developed by Xuanzhu Biopharm, has been approved successfully by the NMPA to initiate clinical trials for the treatment of advanced solid tumors with intermediate and high expression of HER2+. KM257 is a HER2/HER2 bispecific antibody of Xuanzhu Biopharm developed from the Mebs-lg (Monoclonal-antibody Editing Bispecific Immunoglobulin) platform and Mab-Edit (Monoclonal-antibody Editing) technology platform independently developed by Xuanzhu Kangming, the macromolecule innovative drug company under Xuanzhu Biopharm. Possessing a brand-new mechanism, it is a bispecific antibody targeting two different domains of HER2 (domain II and domain IV), and highly innovative. HER2 bispecific antibody, the next-generation drug targeting HER2, is the focus of R&D for major domestic and foreign pharmaceutical companies. All HER2/HER2 bispecific antibody drugs are in the clinical stage worldwide and are not yet available. Compared with other HER2/HER2 bispecific antibodies under development, KM257 has the potential to become the Best-in-class with its high stability and efficacy.

In June 2022, Xuanzhu Biopharm and Shanghai SPH New Asia Pharmaceutical Co., Ltd. ("**New Asia Pharmaceutical**") reached an agreement on exclusive license of APIs and formulations of two new anti-infection drugs, Benapenem and Plazomicin in the Greater China Territory (including Mainland China, Hong Kong SAR, Macau SAR and Taiwan). New Asia Pharmaceutical will obtain the exclusive rights of the APIs and formulations of the said two products, including all rights in licensing, R&D, production and commercialization, and become the marketing authorization holder (MAH) of these two products in the Greater China Territory. Xuanzhu Biopharm will receive an upfront payment of RMB21 million and will be eligible to receive milestone payments of up to RMB419 million, as well as tiered royalties on sales of up to two digits. Fully leveraging the strengths of our partners Shanghai Pharmaceuticals Holding Co., Ltd. ("**Shanghai Pharma**") and New Asia Pharmaceutical in product development, production and sales in anti-infection fields, the cooperation will form a good commercial synergy with New Asia Pharmaceutical in products under R&D and for sale, to maximize the future commercial value of the two products.

During the Year, Xuanzhu Biopharm made an application for A-share listing to Shanghai Stock Exchange, and received a notice of acceptance. The Group believes that the spin-off will help Xuanzhu Biopharm further become an independent innovative drug R&D platform company with direct access to debt and equity capital markets, thereby increasing the financial flexibility of Xuanzhu Biopharm and enhancing its ability to raise external funds, to support the rapid growth and industrialization of its business. Meanwhile, the Group can also focus on cultivating and developing high-growth medical aesthetic business and other new businesses with existing capital and resources. In addition, as Xuanzhu Biopharm will remain as our subsidiary after completion of the proposed spin-off, the Group and its shareholders will continue to benefit from the future development and growth of Xuanzhu Biopharm.

2.2 *Huisheng Biopharm: The biopharmaceutical forerunner with full product coverage in the field of diabetes and complications, and is likely to become the leading platform for the whole-course management of diabetes patients*

Huisheng Biopharm is a biopharmaceutical company under the Group focusing on the field of diabetes and complications. After over 8 years of construction and development, the company now has a world-class R&D team of more than 200 people, with core personnel who once worked at domestic or international leading enterprises such as Novo Nordisk, Ganlee and Dongbao. With extensive experience in R&D of diabetes drugs, it has built and owned product pipelines of nearly 40 products, covering second, third and fourth-generation insulins (covering basic, premixed and fast-acting products), various oral hypoglycemic drugs, new targets such as GLP-1 and SGLT-2, and drugs for complications, etc. It is currently one of the few companies in China that has achieved full product coverage in the field of diabetes and complications.

During the Year, the NDA of five blockbuster products of Huisheng Biopharm was accepted by NMPA, and one heavyweight product was in the pre-NDA phase, which further accelerated the commercialization of the product pipeline and promoted the development from R&D to commercialization of the company. During the Year, the NDA of the insulin Degludec injection, the fourth-generation insulin analogue developed by Huisheng Biopharm, was accepted by NMPA. It is the first domestic fourth-generation insulin analogue, the insulin degludec, that has applied for an NDA having been accepted in China after the original drug Tresiba®. Insulin degludec is a new generation of long-acting basal insulin analogue with unique long-acting mechanism and excellent glucose-lowering effect, featuring stable blood glucose concentration, low risk of hypoglycaemia, high safety and long-lasting effect. Clinical data show that the insulin degludec developed by Huisheng Biopharm has similar pharmacokinetics and pharmacodynamics to the original drug, and the phase III comparative study achieved the expected endpoint of the haemoglobin, which has similar clinical effect comparing to the original drug. At the same time, the product can also form a combination of insulin degludec and insulin aspart injection, as well as insulin degludec and lirglutide injection with other products in the product pipeline of Huisheng Biopharm. This will also help the Group to accelerate the development of its diabetes product pipelines, and is expected to further boost sales growth, enhance the Group's comprehensive strength and significantly strengthen the Group's core competitiveness.

At the same time, the NDA of Janagliflozin, SGLT-2 inhibitor developed by Huisheng Biopharm has been accepted by the NMPA. It is the second domestic Class 1 innovative SGLT-2 inhibitor that has submitted an NDA in China with the application having been accepted. The clinical data of Janagliflozin showed that it not only had significant anti-diabetic efficacy. Meanwhile, it has multiple benefits such as lowering blood pressure, reducing body weight and improving blood lipids with low risk of hypoglycemia and good overall safety.

Besides, the NDA of Insulin Aspart Injection, Insulin Aspart 30 Injection and Insulin Aspart 50 Injection developed by Huisheng Biopharm also have been accepted by the NMPA. Huisheng Biopharm is currently the only company in China that has simultaneously applied for the biologics license of all types of insulin aspart with all applications having been accepted, fully demonstrating the foresight and integrity of the Company's R&D strategy to meet the clinical needs of different insulin treatment options for diabetic patients.

Since various products are on the marketing application stage, Huisheng Biopharm has been equipped with a strong production capacity to ensure the rapid implementation of industrialization development once they are launched. The planned capacity of the phase I and phase II biopharmaceutical bases is over 100 million units, ranking among the top in China. By arranging the flexibility of production schedule and ensuring the stability among all batches of products, Huisheng Biopharm will be able to fully ensure the production requirements of future commercialization.

Backed by the Group, and with full-coverage and multi-level product layout, leading and blockbuster R&D pipelines, and strong and comprehensive strategic resources, Huisheng Biopharm is gradually becoming a biopharmaceutical leader providing comprehensive solutions for diabetes and complications. This is also the characteristic that has fully appealed to the forward-thinking and exceptional investors in the market. During the Year, Huisheng Biopharm successfully completed its Round A and Round A+ financing, raising RMB1,080 million (of which RMB100.0 million was invested by a subsidiary of the Group) in total, with a post-investment valuation of RMB5.58 billion.

Huisheng Biopharm is one of the two innovative drug platforms meticulously incubated by the Group. Targeting the diabetes and complications market with huge potential in China, in the future, with the gradual implementation of Huisheng Biopharm's product pipelines and the continuing emergence of innovative products, Huisheng Biopharm will become a biopharmaceutical leader in China to achieve full product coverage in the field of diabetes and complications, reaching continuous value amplification.

2.3 CDMO of Sihuan Pharmaceutical: Gradually transferring the control over CDMO and API while ensuring API supply inside the Group, further adjusting the organization structure and accelerating the strategic transformation

The CDMO business of Sihuan Pharmaceutical is an integrated CDMO service platform of high-quality API + formulation under the Group. During the Year, the CDMO business of Sihuan Pharmaceutical achieved revenue of approximately RMB49.7 million.

At present, in order to further implement the strategy for the organization restructure of the Group, and speed up its upgrading and development of the Company's pharmaceutical business to innovative drugs, the Group started to dispose of some of the business under the segment within the year. The Group entered into an equity transfer agreement, transferring its entire interest in Jilin Jiahui Chemical Co., Ltd. to Beijing Lianben Technology Development Co., Ltd. In addition, the Group transferred its entire interest in Beijing Lianben Pharmaceutical Chemical Technology Co., Ltd. and Beijing Lianben Technology Development Co., Ltd. at a consideration of RMB46.5 million, further enhancing its operational efficiency.

While ensuring the internal demands of the Group for API, the CDMO and APIs business segments of Sihuan Pharmaceutical will contribute to the overall operational development of the Group, and accelerate the Group's upgrading and development towards innovative drugs. And for the parts whose business performance fails to reach the expectations or goes against the long-term strategic development objectives of the Group will be disposed of through control transfer, in order to focus the management of the Group's pharmaceutical business onto the high-value innovative drugs and biopharmaceutical field.

3. ***Generic medicine: Disposal of some generic drug and other non-core traditional pharmaceutical businesses and assets that do not meet performance expectations or do not meet long-term strategic objectives, so as to fully optimize and upgrade the Company's asset structure and enhance the long-term financial performance***

In response to the changes in the market, industry and policies, and to face the challenges brought by the development, the Group, following a review of its business layout and medium-and long-term strategic development direction, intends to dispose of some generic drugs and other non-core pharmaceutical or healthcare businesses and assets that do not meet performance expectations or do not meet long-term strategic development objectives. Meanwhile, the Group intends to complete the potential disposal in stages gradually, with the specific scope and implementation details of the potential disposal to be finalized depending on market conditions and negotiations with potential buyers.

The generic medicine business is the Group's steady "cash cow". With its two subordinate products non-PVC solid-liquid double chamber products and midazolam oromucosal solution included into 2022 NRDL, and the successful removal of the cinepazide malete from the key monitoring catalogue by virtue of over 1,000 evidence-based medicine results, the Group's generic medicine business will continuously bring stable and abundant cash flow. However, the Group's generic medicine business has completed its "historical mission" after a long period of platform cultivation and incubation over the past decade, during which the Group's innovative drug and medical aesthetics businesses gradually matured with products beginning to generate revenues, and each platform starting to operate separately and gaining independent financing capabilities. The Group believes that after the selective disposal of the traditional generic medicine business which bears declining profitability and is materially affected by policies, the overall profit structure of the Company will be optimized and improved efficiently; meanwhile, with the income from cash assets generated from the disposal of the relevant business, a series of "cages" are vacated for the Group to make room for innovative businesses and further focus its management and corporate resources on the medical aesthetics segment with high growth and profitability, and the biopharmaceutical segment with high value growth, so as to solidly implement the Group's two-wheel drive strategy of "medical aesthetics + biopharmaceuticals", improve the efficiency of the Group's resource allocation and enhance the Group's mid to long-term financial performance.

During the Year, the Group gradually implemented the disposal strategy for part of generic medicine business. It sold 100% of equity interest in Beijing Xuansheng at a consideration of RMB118 million. The Group believes that, with the gradual implementation of the strategy, it will not only focus its management and resources on the biopharmaceutical segment with high value growth, but also enhance its overall profitability and improve the long-term financial performance by disposing of and selling the business that fails to meet the performance expectations.

The Group's important strategic initiatives are in fact fully in line with the past developing trends and layout of leading international pharmaceutical giants. Through the reorganization and integration of key businesses and the disposal of non-core businesses, the Group is able to focus more on two major strategic segments, the medical aesthetics and biopharmaceuticals and enhance the efficiency of resource allocation. In addition, these initiatives also bring more clarity to the Group's valuation system and fully demonstrate the long-term value that the innovative drugs and medical aesthetics business system can bring to the Group after the disposal of part of the generics business, thus helping to maximize shareholders' value.

Prospects and Future Growth Strategies

In 2023, the Group will always implement and accelerate the two-wheel drive strategy, focus the management on the medical aesthetic sector with higher growth and the innovative drug and biopharmaceutical sector with high value growth, optimize and integrate the generic medicine business, and dispose of the generic drugs and other non-core healthcare businesses that do not meet performance expectations.

In terms of medical aesthetic sector, the Group will continue to expand its layout in the medical aesthetic field, merger and acquire outstanding objects, introduce products, promote the R&D, registration and launch of new products, rapidly enhance the upgrading and development of the medical aesthetic business, and speed up the simultaneous upgrading of both scale and quality. It will create new engine for cash flow, and further ensure the high growth of revenue, profit, team and network coverage by focusing on the development of the medical aesthetic business.

In terms of the pharmaceutical sector, the Group will strictly implement the dual organizational structure comprising the Group headquarters and business platform headquarters. As for the two innovative drug business platforms, namely Xuanzhu Biopharm and Huisheng Biopharm, the Group will promote the further development of two main businesses through shareholding management, ensure the rapid promotion of R&D pipelines and product registration and launch, gradually implement the spin-off and listing, and guarantee the rapid business development and the realization of high valuation.

In terms of the generic drugs and APIs, the Group will continue to make adjustments, gradually dispose of the generic drugs, APIs and other non-core healthcare businesses that do not meet performance expectations while ensuring the internal demands of the Group, convert them into cash and then use them for the future business operation, mergers and acquisition or dividend distribution of the Group. However, for products and businesses that still have high growth or have key growth potential, they will continue to remain within the Group's system and serve as a stable source of cash income together with the medical aesthetics business. The Group believes that these strategic measures for the generic medicine business segment will further improve the efficiency of the Group's resources allocation, enhance the mid- to long-term financial performance, allow the Company to focus on the medical aesthetics and biopharmaceutical business segments.

Conclusion

In 2023, the Group will further implement the two-wheel drive strategy, accelerate the disposal of some generic drugs and other non-core pharmaceutical or healthcare businesses and assets that do not meet performance expectations or do not meet long-term strategic development objectives, focus on the medical aesthetics segments with high growth and profitability and the biopharmaceutical sector with high value growth, and promote the transformation and development of the medical aesthetics and innovative drug businesses, in order to realize the strategic objective to build the leading medical aesthetics and biopharmaceutical company in China.

The Group believes that, the strict implementation of the dual organizational structure strategy will focus the management on the medical aesthetic sector with higher growth and the innovative drug and the biopharmaceutical sector with high value growth, further focus on the management and expand the business of the medical aesthetics businesses, motivate and encourage the development, growth and independent financing of the biopharmaceutical sector, and continue to consolidate the transformation of the Group to the leading medical aesthetics and biopharmaceutical company in China. Meanwhile, the Group will continue with the optimization and integration of generic medicine business, dispose of some generic drugs and other non-core pharmaceutical or healthcare businesses and assets that do not meet performance expectations or do not meet long-term strategic development objectives. Insists on being a friend of time, and through continuous implementation of the two-wheel drive strategy of "medical aesthetics + biopharmaceuticals" with high efficiency, Sihuan Pharmaceutical will promote the further release of corporate value, and achieve the strategic goal of building China's leading medical aesthetic and biopharmaceutical company, and bring more and better investment returns to the respected shareholders and investors who have always been firmly believing in and supporting the Group.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CONTINUING OPERATIONS			
Revenue	4	**2,181,189**	3,038,391
Cost of sales		**(693,608)**	(607,903)
GROSS PROFIT		**1,487,581**	2,430,488
Other income	4	**157,919**	192,263
Other gains – net	4	**350,174**	314,105
Impairment losses on non-current assets		**(1,337,808)**	(131,297)
Impairment losses on investments accounted for using the equity method		**(389,311)**	–
Distribution expenses		**(471,144)**	(536,739)
Administrative expenses		**(552,192)**	(592,219)
Research and development expenses		**(936,581)**	(868,069)
Other expenses		**(139,365)**	(36,587)
OPERATING (LOSS)/PROFIT		**(1,830,727)**	771,945
Finance expenses	6	**(211,176)**	(117,351)
Share of losses of investments accounted for using the equity method	21	**(80,875)**	(158,581)
(LOSS)/PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	5	**(2,122,778)**	496,013
Income tax expense	7	**(196,794)**	(253,119)
(LOSS)/PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**(2,319,572)**	242,894
DISCONTINUED OPERATIONS			
Profit/(loss) for the year from discontinued operations	8	**36,296**	(10,124)
(LOSS)/PROFIT FOR THE YEAR		**(2,283,276)**	232,770

	Notes	**2022**	2021
		RMB'000	*RMB'000*
Attributable to:			
Owners of the Company		**(1,914,918)**	416,509
Non-controlling interests		**(368,358)**	(183,739)
		(2,283,276)	232,770
(LOSS)/PROFIT FOR THE YEAR		**(2,283,276)**	232,770
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**–**	–
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**(2,283,276)**	232,770
Attributable to:			
Owners of the Company		**(1,914,918)**	416,509
Non-controlling interests		**(368,358)**	(183,739)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**(2,283,276)**	232,770
		RMB	*RMB*
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*10*		
Basic (loss)/earnings per share			
For (loss)/profit for the year		**(20.52) cents**	4.42 cents
For (loss)/profit from continuing operations		**(20.90) cents**	4.49 cents
Diluted (loss)/earnings per share			
For (loss)/profit for the year		**(20.52) cents**	4.39 cents
For (loss)/profit from continuing operations		**(20.90) cents**	4.46 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

		As at 31 December	
		2022	2021
	Notes	***RMB'000***	*RMB'000*
			(Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**2,300,959**	3,304,929
Investment properties		**221,059**	224,269
Right-of-use assets		**697,367**	787,773
Goodwill		**1,853**	14,165
Intangible assets	*11*	**626,462**	610,103
Investments accounted for using the equity method	*21*	**682,174**	705,533
Financial assets at fair value through profit or loss	*12*	**225,164**	266,999
Other non-current assets		**594,359**	392,302
Deferred tax assets		**96,774**	303,464
Pledged deposits		**143,994**	144,631
Total non-current assets		**5,590,165**	6,754,168
CURRENT ASSETS			
Inventories		**606,700**	715,298
Trade and other receivables	*13*	**1,118,628**	1,234,428
Financial assets at fair value through profit or loss	*12*	**962,988**	109,304
Cash and cash equivalents		**3,828,863**	5,682,425
Pledged deposits		**33,207**	–
Total current assets		**6,550,386**	7,741,455
TOTAL ASSETS		**12,140,551**	14,495,623

	Notes	As at 31 December 2022 RMB'000	2021 RMB'000 (Restated)
EQUITY			
Equity attributable to owners of the Company			
Share capital	*14*	**77,058**	77,058
Share premium	*14*	**3,882,304**	3,882,304
Other reserves	*16*	**(528,850)**	(221,437)
Retained earnings	*16*	**1,306,486**	4,546,223
		4,736,998	8,284,148
Non-controlling interests		**902,828**	865,918
Total equity		**5,639,826**	9,150,066
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**99,040**	222,390
Interest-bearing bank borrowings	*19*	**808,383**	813,216
Lease liabilities		**45,856**	31,463
Contract liabilities		**5,660**	9,969
Other non-current liabilities	*17*	**3,008,786**	1,766,684
Total non-current liabilities		**3,967,725**	2,843,722
CURRENT LIABILITIES			
Trade and other payables	*18*	**1,926,944**	1,971,289
Interest-bearing bank borrowings	*19*	**327,075**	200,000
Contract liabilities		**164,010**	206,425
Income tax payable		**67,862**	111,247
Lease liabilities		**13,184**	5,193
Other current liabilities	*17*	**33,925**	7,681
Total current liabilities		**2,533,000**	2,501,835
TOTAL LIABILITIES		**6,500,725**	5,345,557
TOTAL EQUITY AND LIABILITIES		**12,140,551**	14,495,623

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

		Attributable to owners of the Company						
	Notes	Share capital *RMB'000*	Share premium *RMB'000*	Other reserves *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2021		78,186	4,084,846	725,222	4,302,088	9,190,342	758,383	9,948,725
Profit for the year		–	–	–	416,509	416,509	(183,739)	232,770
Employee share award scheme:								
– Value of employee services		–	–	59,350	–	59,350	–	59,350
Final 2020 dividend	*9*	–	–	–	(123,054)	(123,054)	–	(123,054)
Dividends paid to non-controlling shareholders		–	–	–	–	–	(73,500)	(73,500)
Transfer to PRC statutory reserve fund	*16*	–	–	49,320	(49,320)	–	–	–
Repurchase and cancellation of shares	*14*	(1,156)	(205,251)	–	–	(206,407)	–	(206,407)
Share options exercised	*14*	28	2,709	–	–	2,737	–	2,737
Recognition of redemption liabilities on a subsidiary's shares	*16*	–	–	(1,573,500)	–	(1,573,500)	–	(1,573,500)
Non-controlling interests arising on establishing a subsidiary		–	–	–	–	–	1,000	1,000
Partial disposal of equity interests in subsidiaries without change of control	*16*	–	–	51,067	–	51,067	53,163	104,230
Acquisition of non-controlling interests		–	–	(8,844)	–	(8,844)	(1,656)	(10,500)
Capital contribution by non-controlling shareholders of subsidiaries	*16*	–	–	475,948	–	475,948	312,267	788,215
At 31 December 2021		77,058	3,882,304	(221,437)	4,546,223	8,284,148	865,918	9,150,066

	Notes	Attributable to owners of the Company Share capital *RMB'000*	Share premium *RMB'000*	Other reserves *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2022		**77,058**	**3,882,304**	**(221,437)**	**4,546,223**	**8,284,148**	**865,918**	**9,150,066**
Loss for the year		**–**	**–**	**–**	**(1,914,918)**	**(1,914,918)**	**(368,358)**	**(2,283,276)**
Employee share award scheme:								
– Value of employee services	*15*	**–**	**–**	**89,666**	**–**	**89,666**	**–**	**89,666**
Final 2021 and 2022 interim dividends	*9*	**–**	**–**	**–**	**(1,315,530)**	**(1,315,530)**	**–**	**(1,315,530)**
Transfer to PRC statutory reserve fund	*16*	**–**	**–**	**9,289**	**(9,289)**	**–**	**–**	**–**
Special reserve for maintenance and production funds (i)	*16*	**–**	**–**	**3,368**	**–**	**3,368**	**–**	**3,368**
Recognition of redemption liabilities on a subsidiary's shares	*16*	**–**	**–**	**(989,949)**	**–**	**(989,949)**	**–**	**(989,949)**
Capital contribution by non-controlling shareholders of subsidiaries	*16*	**–**	**–**	**580,213**	**–**	**580,213**	**399,787**	**980,000**
Disposals of subsidiaries		**–**	**–**	**–**	**–**	**–**	**5,481**	**5,481**
At 31 December 2022		**77,058**	**3,882,304**	**(528,850)**	**1,306,486**	**4,736,998**	**902,828**	**5,639,826**

Note:

(i) Pursuant to the relevant PRC regulations, the Group is required to transfer production and maintenance funds at fixed rates based on revenue, to a specific reserve account. The production and maintenance funds could be utilised when expenses or capital expenditures on production maintenance and safety measures are incurred. The amount of production and maintenance funds utilised would be deducted from the specific reserve account.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations		**203,473**	868,825
Income tax paid		**(156,980)**	(203,532)
Net cash flows from operating activities		**46,493**	665,293
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital contribution to associates and a joint venture		**(478,000)**	–
Purchases of items of property, plant and equipment		**(402,459)**	(601,017)
Purchases of intangible assets	*11*	**(191,478)**	(124,565)
Purchases of financial assets at fair value through profit or loss		**(16,163,360)**	(20,041,950)
Proceeds from disposal of financial assets at fair value through profit or loss		**15,451,028**	20,193,103
Proceeds from disposal of items of property, plant and equipment		**14,353**	3,133
Proceeds from disposal of items of intangible assets		**3,984**	–
Advances of loans to third parties		**(79,464)**	(4,346)
Advances of loans to associates		**(78,000)**	(70,371)
Repayment of loans from third parties		**57,609**	15,058
Repayment of loans from associates		**–**	37,412
Disposals of subsidiaries, net of cash		**88,448**	–
Acquisitions of subsidiaries, net of cash		**–**	(153,377)
Increase in pledged deposits		**(32,570)**	(83)
Interest received		**148,788**	133,644
Prepaid land lease payments		**–**	(41,847)
Dividend received		**–**	317,637
Net cash flows used in investing activities		**(1,661,121)**	(337,569)

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of bank borrowings		**(313,926)**	(537,970)
Repayment of other borrowings		**(1,500)**	(4,470)
Proceeds from bank borrowings		**456,168**	832,083
Proceeds from other borrowings		**24,152**	4,000
Repurchase and cancellation of shares		**–**	(206,407)
Principal portion of lease payments		**(12,620)**	(3,187)
Capital contribution by non-controlling shareholders of subsidiaries		**980,000**	788,215
Partial disposal of equity interests in subsidiaries without change of control		**–**	104,230
Share options exercised	*15*	**–**	2,737
Acquisition of non-controlling interests	*16*	**–**	(5,250)
Non-controlling interests arising on establishing a subsidiary		**–**	1,000
Dividends paid to shareholders	*9*	**(1,315,530)**	(196,389)
Interest paid		**(55,678)**	(27,932)
Net cash flows (used in)/from financing activities		**(238,934)**	750,660
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(1,853,562)**	1,078,384
Cash and cash equivalents at beginning of year		**5,682,425**	4,604,041
CASH AND CASH EQUIVALENTS AT END OF YEAR		**3,828,863**	5,682,425
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**3,144,842**	3,689,923
Unpledged time deposits		**684,021**	1,992,502
Cash and cash equivalents as stated in the consolidated statement of financial position and the statement of cash flows		**3,828,863**	5,682,425

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL INFORMATION

Sihuan Pharmaceutical Holdings Group Ltd. is incorporated in Bermuda under the Bermuda Companies Act as an exempted company.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries are the research and development ("**R&D**"), and the manufacture and sale of pharmaceutical products and medical aesthetic products in the People's Republic of China (the "**PRC**").

The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of the principal place of business of the Group in Hong Kong is Room 4309, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong, and the address of the principal place of business in Beijing is 22/F, Building 4, Zhubang 2000, West Balizhuang, Chaoyang District, Beijing 100025, the PRC.

The Company had its primary listing on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 28 October 2010.

These financial statements have been approved for issue by the board of directors on 24 March 2023.

2. BASIS OF PREPARATION

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

They have been prepared under the historical cost convention, except for wealth management products, notes receivable and equity investments which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

Changes in accounting policies and disclosures

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

Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to IFRSs 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

The nature and the impact of the revised IFRSs are described below:

(a) Amendments to IFRS 3 are intended to replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting (the "**Conceptual Framework**") issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or (IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or (IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by IAS 2 Inventories, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2022. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) Annual Improvements to IFRSs 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

Prior year restatement

*(a) Restatement of prior years' financial statements as a result of business combinations for Genesis Biosystems, Inc ("**Genesis**")*

On 31 December 2021, the Group acquired a 100% equity interest in Genesis Biosystems, Inc. ("**Genesis**"), an unlisted company based in Taxes USA which is a manufacturer of aesthetic and biomedical products specialising in the development, manufacture and distribution of beauty devices with a focus on microchannel systems and fat harvesting products for cosmetic and skin care treatments as well as plastic surgery, at a consideration of USD3,000,000 (equivalent to approximately RMB19,138,000). The consideration of USD3,000,000 was settled in cash in 2021. The assessment of the fair values of the identifiable assets and liabilities of Genesis was still undergoing and the information of the fair values of the identifiable assets and liabilities was provisional as at 31 December 2021.

During the year, the Company finalised the assessment of the fair values of the identifiable assets and liabilities of Genesis and the Company retrospectively adjusted the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as at the acquisition date.

The comparative information as at 31 December 2021 have been restated in the consolidated financial statements.

(b) Restated consolidated statement of financial position for the year ended 31 December 2021

	As previously reported	**Effect of prior year adjustments**	**As restated**
	RMB'000	*RMB'000*	*RMB'000*
Goodwill	28,352	(14,187)	14,165
Intangible assets	595,916	14,187	610,103

3. SEGMENT INFORMATION

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

(a) the medical aesthetic products segment including the filling, shaping, supporting, supplementing, optoelectronic device, body sculpturing, skin care and others to provide non- or minimally invasive medical aesthetics comprehensive solutions;

(b) the innovative medicine and other medicine segment; and

(c) the generic medicine 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 from continuing operations except that interest income, non-lease-related finance costs, dividend income, fair value gains/losses from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

Information relating to segment assets and liabilities is not disclosed as such information is not regularly reported to the chief operating decision-maker who assesses the performance of the operating segments based on their revenue and operating profit rather than their assets and liabilities.

Year ended 31 December 2022

	Medical aesthetic products *RMB'000*	Innovative medicine and other medicine *RMB'000*	Generic medicine *RMB'000*	Total *RMB'000*
Segment revenue *(note 4)*				
Sales to external customers	**149,780**	**60,913**	**1,970,496**	**2,181,189**
Intersegment sales	**–**	**104,798**	**–**	**104,798**
	149,780	**165,711**	**1,970,496**	**2,285,987**
Reconciliation:				
Elimination of intersegment sales				**(104,798)**
Revenue from continuing operations				**2,181,189**
Segment results	**3,576**	**(1,400,204)**	**(16,009)**	**(1,412,637)**
Reconciliation:				
Unallocated other income				**13,018**
Unallocated other gains – net				**19,000**
Unallocated expenses				**(625,964)**
Unallocated finance expenses				**(35,320)**
Share of profits and losses of investments accounted for using the equity method				**(80,875)**
Loss before tax from continuing operations				**(2,122,778)**

Year ended 31 December 2021

	Medical aesthetic products RMB'000	Innovative medicine and other medicine RMB'000	Generic medicine RMB'000	Total RMB'000
Segment Revenue *(note 4)*				
Sales to external customers	398,954	41,296	2,598,141	3,038,391
Intersegment sales	–	63,814	–	63,814
	398,954	105,110	2,598,141	3,102,205
Reconciliation:				
Elimination of intersegment sales				(63,814)
Revenue from continuing operations				3,038,391
Segment results	248,472	(879,610)	1,307,001	675,863
Reconciliation:				
Unallocated other income				22,778
Unallocated other gains – net				59,235
Unallocated expenses				(101,930)
Unallocated finance expenses				(1,352)
Share of profits and losses of investments accounted for using the equity method				(158,581)
Profit before tax from continuing operations				496,013

Geographical information

(a) *Revenue from external customers*

	2022 ***RMB'000***	2021 *RMB'000*
Geographical market		
Mainland China	**2,166,784**	3,038,391
United States of America	**14,405**	–
	2,181,189	3,038,391

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

(b) *Non-current assets*

	2022	2021
	RMB'000	*RMB'000*
Geographical market		
Mainland China	**4,531,294**	5,651,478
United States of America	**13,982**	10,196
	4,545,276	5,661,674

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.

During the year ended 31 December 2022, all sales were from distributors and there were no distributors of the Group from which the revenue amounted to 10% or more of the Group's revenue (2021: Nil).

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2022	2021
	RMB'000	*RMB'000*
Revenue from contracts with customers	**2,181,189**	3,038,391

Revenue from contracts with customers

(a) *Disaggregated revenue information*

Year ended 31 December 2022	**Medical aesthetic products**	**Innovative medicine and other medicine**	**Generic medicine**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Type of goods				
Sale of pharmaceutical products and medical aesthetic products	**149,780**	**60,913**	**1,970,496**	**2,181,189**
Geographical market				
Mainland China	**135,375**	**60,913**	**1,970,496**	**2,166,784**
United States of America	**14,405**	**–**	**–**	**14,405**
Total revenue from contracts with customers	**149,780**	**60,913**	**1,970,496**	**2,181,189**
Timing of revenue recognition				
Goods transferred at a point in time	**149,780**	**60,913**	**1,970,496**	**2,181,189**

Year ended 31 December 2021	Medical aesthetic products *RMB'000*	Innovative medicine and other medicine *RMB'000*	Generic medicine *RMB'000*	Total *RMB'000*
Type of goods				
Sale of pharmaceutical products and medical aesthetic products	398,954	41,296	2,598,141	3,038,391
Geographical market				
Mainland China	398,954	41,296	2,598,141	3,038,391
Timing of revenue recognition				
Goods transferred at a point in time	398,954	41,296	2,598,141	3,038,391

Set out below is the reconciliation of the revenue from contracts with customers to the amounts disclosed in the segment information:

Year ended 31 December 2022

	Medical aesthetic products *RMB'000*	**Innovative medicine and other medicine** *RMB'000*	**Generic medicine** *RMB'000*	**Total** *RMB'000*
Segment revenue				
Sales to external customers	**149,780**	**60,913**	**1,970,496**	**2,181,189**
Intersegment sales	**–**	**104,798**	**–**	**104,798**
	149,780	**165,711**	**1,970,496**	**2,285,987**
Reconciliation:				
Elimination of intersegment sales				**(104,798)**
Revenue from continuing operations				**2,181,189**

Year ended 31 December 2021

	Medical aesthetic products *RMB'000*	Innovative medicine and other medicine *RMB'000*	Generic medicine *RMB'000*	Total *RMB'000*
Segment Revenue				
Sales to external customers	398,954	41,296	2,598,141	3,038,391
Intersegment sales	–	63,814	–	63,814
	398,954	105,110	2,598,141	3,102,205
Reconciliation:				
Elimination of intersegment sales				(63,814)
Revenue from continuing operations				3,038,391

The following table shows the amounts of revenue recognised for the year that were included in the contract liabilities at the beginning of the year and recognised from performance obligations not yet satisfied in previous years:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the year:		
Sale of pharmaceutical products and medical aesthetic products	**201,042**	186,354

(b) *Performance obligations*

Sale of pharmaceutical products and medical aesthetic products

The performance obligation is satisfied upon acceptance of the pharmaceutical products and medical aesthetic products and payment is generally due within 90 to 180 days from delivery, except for new customers, where payment in advance is normally required.

The amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

Other income

		2022 *RMB'000*	2021 *RMB'000*
Interest income		**146,794**	163,948
Gross rental income from investment property operating leases	*(i)*	**6,079**	7,116
Sales of distribution rights	*(ii)*	**2,409**	3,526
Research and development income	*(iii)*	**195**	6,183
Others		**2,442**	11,490
		157,919	192,263

(i) Gross rental income from investment property operating leases is included in other income as it is not derived from the Group's principal activities. An analysis of rental income is as follows:

	2022 *RMB'000*	2021 *RMB'000*
Geographical markets		
Hong Kong	**3,372**	5,219
Mainland China	**2,707**	1,897
	6,079	7,116

(ii) Sale of distribution rights is included in other income as it is not derived from the Group's principal activities. The geographical market of all the sale of distribution rights is Mainland China. The performance obligation is satisfied over time as services are rendered and advances are normally required before rendering the services. Sale of distribution rights contracts is for periods of three to five years. The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	As at 31 December	
	2022 *RMB'000*	2021 *RMB'000*
Amounts expected to be recognised as other income:		
Within one year	**2,830**	5,383
After one year	**5,660**	9,969
	8,490	15,352

The following table shows the amounts of revenue recognised for the year that were included in the contract liabilities at the beginning of the year:

	2022	2021
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the year:		
Sale of distribution rights	**2,409**	275

(iii) R&D income is included in other income as it is not derived from the Group's principal activities. The geographical market of all the R&D income is Mainland China. The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 days from the date of billing.

Other gains – net

	2022	2021
	RMB'000	*RMB'000*
Gain on derecognition of a subsidiary	**194,068**	–
Gain on disposal of fair value of financial assets at FVPL	**111,945**	–
Government grants (i)	**57,493**	250,805
Gain on deemed disposal of interest in an associate	**9,554**	7,136
Gain on transferring R&D intellectual right	**7,000**	–
Gain on deemed disposal of a subsidiary	**–**	59,228
Others	**54**	203
Exchange losses, net	**(18,392)**	(4,571)
(Loss)/gain on changes in fair value of financial assets at FVPL	**(11,548)**	1,304
	350,174	314,105

(i) The total government grants represented the subsidies received from the local government and no specific conditions were attached to them.

5. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax from continuing operations is arrived at after charging:

	Notes	2022 RMB'000	2021 RMB'000
Employee benefit expenses (including directors' and chief executive's remuneration)			
Wages and salaries		**513,430**	513,841
Pension scheme contributions	*(i)*	**96,016**	94,325
Welfares		**19,040**	18,588
Share-based payments		**89,666**	59,350
		718,152	686,104
Cost of inventories sold	*(ii)*	**693,608**	607,903
Research and development expenses	*(ii)*	**936,581**	868,069
Depreciation of property, plant and equipment	*(iii)*	**36,194**	36,106
Depreciation of investment properties		**8,292**	7,904
Depreciation of right-of-use assets	*(iii)*	**31,980**	23,472
Amortisation of intangible assets	*(iii)*	**22,684**	31,070
Loss on disposal of property, plant and equipment		**2,663**	2,411
Loss on disposal of intangible assets		**23,537**	–
Impairment of property, plant and equipment		**1,130,627**	–
Impairment of intangible assets	*11*	**113,138**	131,297
Impairment of investment properties		**772**	–
Impairment of right-of-use assets		**84,510**	–
Impairment of goodwill		**8,761**	–
Impairment losses of investment accounted for using the equity method		**389,311**	–
Impairment losses of trade and other receivables		**28,443**	36,509
Write-down of inventories to net realisable value		**90,778**	9,047
Lease payments not included in the measurement of lease liabilities		**7,823**	8,113
Exchange losses, net		**18,392**	4,571
Auditor's remuneration		**4,200**	5,000
Bank charges		**3,055**	2,109

(i) There are no forfeited contributions at 31 December 2022 (2021: Nil) that may be used by the Group as the employer to reduce the existing level of contributions in the future years.

(ii) The depreciation/amortisation of property, plant and equipment, right-of-use assets for manufacturing and research function and intangible assets for the years ended 31 December 2022 and 2021 is included in "cost of sales" and "R&D expenses" in the consolidated statement of profit or loss and other comprehensive income.

(iii) Depreciation/amortisation of property, plant and equipment, right-of-use assets, and intangible assets from continuing operations:

	2022 RMB'000	2021 RMB'000
Included in:		
Distribution expenses	**39**	74
Administrative expenses	**90,819**	90,574

6. FINANCE EXPENSES

An analysis of finance expenses from continuing operations is as follows:

	2022	2021
	RMB'000	*RMB'000*
Interest expenses on:		
Interest-bearing bank and other borrowings *(note 19)*	**58,748**	42,779
Redemption liabilities on subsidiaries' shares *(note 17)*	**151,529**	89,283
Lease liabilities	**2,754**	815
Total interest expense on financial liabilities not at fair value through profit or loss	**213,031**	132,877
Less: Interest capitalised	**(1,855)**	(15,526)
	211,176	117,351

7. INCOME TAX EXPENSE

The income tax expense of the Group for the years ended 31 December 2022 and 2021 is analysed as follows:

	2022	2021
	RMB'000	*RMB'000*
Current tax	**98,454**	290,432
Deferred tax	**98,340**	(37,313)
Total tax charge for the year from continuing operations	**196,794**	253,119
Total tax charge for the year from discontinued operations	**141**	160
	196,935	253,279

The tax on the Group's (loss)/profit before tax differs from the theoretical amount that would arise from using the statutory tax rate applicable to profits of the consolidated entities as follows:

	2022	2021
	RMB'000	*RMB'000*
(Loss)/profit before tax	**(2,086,341)**	486,049
From continuing operations	**(2,122,778)**	496,013
From discontinued operations	**36,437**	(9,964)
Tax at the statutory tax rates	**(504,771)**	121,512
Tax effects of:		
– Utilisation of previously unrecognised tax losses	**(11,490)**	(59,119)
– Effect of tax concessions and exemptions	**(19,602)**	(344,811)
– Expenses not deductible for tax purposes	**97,219**	1,073
– Adjustments recognised in the period for current tax of prior periods	**24,338**	30,685
– Effect on opening deferred tax of increase in rates	**–**	3,666
– Profits and losses attributable to joint ventures and associates	**17,830**	37,868
– Income not subject to tax	**(65,645)**	(4,733)
– Tax losses not recognised	**659,056**	467,138
Income tax expense	**196,935**	253,279
Tax charge from continuing operations at the effective rate	**196,794**	253,119
Tax charge from discontinued operations at the effective rate	**141**	160

Bermuda profits tax

The Group was not subject to any taxation in this jurisdiction during the year (2021: Nil).

United States of America profits tax

Pursuant to Tax Cuts and Jobs Act ("**TCJA**") enacted on December 22, 2017, the US federal statutory income tax rate for the subsidiary is 21%. The subsidiary in the US was incorporated in the state of Texas with no income tax. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Group operates.

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Group operates.

PRC corporate income tax ("PRC CIT")

PRC CIT is provided on the assessable income of the companies now comprising the Group derived from the PRC, adjusted for those items which are not assessable or deductible for the PRC CIT purposes.

The PRC subsidiaries of the Group have determined and paid the corporate income tax in accordance with the Corporate Income Tax Law of the PRC at the tax rate of 25%.

Certain subsidiaries of the Group were qualified as high-tech enterprises. Accordingly, those subsidiaries' corporate income tax for 2022 and 2021 was provided at the rate of 15%.

8. DISCONTINUED OPERATIONS

In 2022, the Company's subsidiary, Jilin Shengtong Chemical Co., Ltd. ("**Jilin Shengtong**") passed a resolution on disposals of all the equity interests in Beijing Lianben Pharm-chemicals Tech. Co., Ltd. ("**Lianben Chemical**"), Beijing Lianben Technology Development Co., Ltd. ("**Lianben Technology**") and Jilin Jiahui Chemical Co., Ltd. ("**Jilin Jiahui**"), (collectively "**discontinued operations**"). As at 31 December 2022, the discontinued operations were disposed of, and excluded from the annual financial statements of the Group.

The results of the discontinued operations for the year ended 31 December 2021 and the period from 1 January 2022 to the disposal date are presented below:

	2022	2021
	RMB'000	*RMB'000*
Revenue	**199,474**	252,879
Cost of sales	**(159,138)**	(234,851)
Expenses	**(36,169)**	(27,992)
Gain on disposal	**32,270**	–
Profit/(loss) before tax	**36,437**	(9,964)
Income tax:		
Related to pre-tax loss	**(141)**	(160)
Profit/(loss) for the period/year	**36,296**	(10,124)

The net cash flows incurred by the discontinued operations were as follows:

	2022	2021
	RMB'000	*RMB'000*
Operating activities	**27,482**	28,582
Investing activities	**(3,480)**	(524)
Financing activities	**(11,783)**	(20,653)
Net cash inflow	**12,219**	7,405
Earnings/(loss) per share:		
Basic, from the discontinued operations	**0.38 cents**	(0.07) cents
Diluted, from the discontinued operations	**0.38 cents**	(0.07) cents

The calculations of basic and diluted earnings/(loss) per share from discontinued operations are based on:

	2022	2021
	RMB'000	*RMB'000*
Profit/(loss) attributable to ordinary equity holders of the Company	**34,672**	(6,356)
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation *(note 10)*	**9,329,999**	9,431,297
Weighted average number of ordinary shares used in the diluted earnings/(loss) per share calculation *(note 10)*	**9,336,768**	9,483,383

9. DIVIDENDS

The dividends paid in 2022 and 2021 were RMB1,315,530,000 and RMB123,054,000, respectively. A final cash dividend for the year ended 31 December 2022 of RMB298,560,000 was recommended by the Board and will be subject to approval at the forthcoming annual general meeting of the Company.

Dividends approved and paid to owners of the Company during the year:

	2022	2021
	RMB'000	*RMB'000*
Final 2021 dividend of RMB1.3 cents (2021: Final dividend for 2020 of RMB1.3 cents) per ordinary share for the previous year, paid during the year	**121,290**	123,054
Special cash dividend of RMB9.5 cents (2021: Nil), declared and paid during the year	**886,350**	–
Interim dividend of RMB0.1 cents (2021: Nil), declared and paid during the year	**9,330**	–
Interim special cash dividend of RMB3.2 cents (2021: Nil), declared and paid during the year	**298,560**	–
	1,315,530	123,054

Dividends proposed by the Company for the year:

	2022	2021
	RMB'000	*RMB'000*
Proposed final cash dividend of RMB3.2 cents (2021: RMB1.3 cents) per ordinary share	**298,560**	121,290
Proposed special cash dividend of Nil (2021: RMB9.5 cents) per ordinary share	**–**	886,350
	298,560	1,007,640

10. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share amount is based on the (loss)/profit for the year attributable to ordinary equity holders of the Company of loss RMB1,914,918,000 (2021: profit RMB416,509,000), and the weighted average number of ordinary shares of 9,329,999,000 (2021: 9,431,297,000) in issue during the year.

The calculation of the diluted (loss)/earnings per share amount is based on the (loss)/profit for the year attributable to ordinary equity holders of the Company, as used in the basic (loss)/earnings per share calculation. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic (loss)/earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted (loss)/earnings per share are based on:

	2022	2021
	RMB'000	*RMB'000*
(Loss)/earnings		
(Loss)/profit attributable to ordinary equity holders of the Company, used in the basic and diluted (loss)/earnings per share calculation		
From continuing operations	**(1,949,590)**	422,865
From discontinued operations	**34,672**	(6,356)
(Loss)/profit attributable to ordinary equity holders of the Company	**(1,914,918)**	416,509

	2022	2021
	Shares'000	*Shares'000*
Shares		
Weighted average number of ordinary shares in issue for basic (loss)/earnings per share	**9,329,999**	9,431,297
Effect of dilution – weighted average number of ordinary shares:		
Share options	**6,769**	52,086
	9,336,768	9,483,383

The calculation of diluted (loss)/earnings per share has not considered shares options under the share option scheme of the Company as the inclusion would be anti-dilutive for the year ended 31 December 2022.

	2022	2021
	Shares'000	*Shares'000*
Basic (loss)/earnings per share		
For (loss)/profit for the year	**(20.52) cents**	4.42 cents
For (loss)/profit for the continuing operations	**(20.90) cents**	4.49 cents
Diluted (loss)/earnings per share		
For (loss)/profit for the year	**(20.52) cents**	4.39 cents
For (loss)/profit for the continuing operations	**(20.90) cents**	4.46 cents

11. INTANGIBLE ASSETS

	Product development in progress *RMB'000*	Deferred development costs *RMB'000*	Trademark and software *RMB'000*	Customer relationships *RMB'000*	Total *RMB'000*
At 31 December 2020 and at 1 January 2021:					
Cost	425,722	1,504,661	40,523	433,932	2,404,838
Accumulated amortisation	–	(551,862)	(28,146)	(433,932)	(1,013,940)
Impairment	(123,630)	(758,098)	(3,549)	–	(885,277)
Net carrying amount	302,092	194,701	8,828	–	505,621
Cost at 1 January 2021, net of accumulated amortisation and impairment	302,092	194,701	8,828	–	505,621
Additions	117,537	–	7,028	–	124,565
Additions due to business combinations (Restated)	122,073	–	21,037	–	143,110
Amortisation charge	–	(30,402)	(1,494)	–	(31,896)
Impairment	(131,297)	–	–	–	(131,297)
Net carrying amount at 31 December 2021 (Restated):	410,405	164,299	35,399	–	610,103
At 31 December 2021 (Restated):					
Cost	665,332	1,504,661	68,588	433,932	2,672,513
Accumulated amortisation	–	(582,264)	(29,640)	(433,932)	(1,045,836)
Impairment	(254,927)	(758,098)	(3,549)	–	(1,016,574)
Net carrying amount	410,405	164,299	35,399	–	610,103

	Product development in progress *RMB'000*	Deferred development costs *RMB'000*	Trademark and software *RMB'000*	Customer relationships *RMB'000*	Total *RMB'000*
At 31 December 2021 and at 1 January 2022 (Restated):					
Cost	**665,332**	**1,504,661**	**68,588**	**433,932**	**2,672,513**
Accumulated amortisation	**–**	**(582,264)**	**(29,640)**	**(433,932)**	**(1,045,836)**
Impairment	**(254,927)**	**(758,098)**	**(3,549)**	**–**	**(1,016,574)**
Net carrying amount	**410,405**	**164,299**	**35,399**	**–**	**610,103**
Cost at 1 January 2022, net of accumulated amortisation and impairment	**410,405**	**164,299**	**35,399**	**–**	**610,103**
Additions	**173,600**	**–**	**17,878**	**–**	**191,478**
Disposal	**(24,575)**	**–**	**(303)**	**–**	**(24,878)**
Amortisation charge	**–**	**(31,034)**	**(5,878)**	**–**	**(36,912)**
Impairment (i)	**(3,912)**	**(103,916)**	**(5,310)**	**–**	**(113,138)**
Disposal of subsidiaries	**–**	**(191)**	**–**	**–**	**(191)**
Transfer from product development in progress	**(3,200)**	**3,200**	**–**	**–**	**–**
Net carrying amount at 31 December 2022	**552,318**	**32,358**	**41,786**	**–**	**626,462**
At 31 December 2022					
Cost	**811,157**	**1,506,808**	**86,163**	**433,932**	**2,838,060**
Accumulated amortisation	**–**	**(612,436)**	**(35,518)**	**(433,932)**	**(1,081,886)**
Impairment	**(258,839)**	**(862,014)**	**(8,859)**	**–**	**(1,129,712)**
Net carrying amount	**552,318**	**32,358**	**41,786**	**–**	**626,462**

(i) Due to the fierce competition within the pharmaceutical industry and the limitation of the Group's resource, the management of the Group considered the future return rate of certain projects was low and decided to discontinue further development of the aforementioned projects. Accordingly, the Group recognised full impairment loss for the carrying values of certain product development in progress and an impairment loss amounting to RMB3,912,000 in relation to the generic medicine segment was recorded during the year ended 31 December 2022. This amount of impairment loss was assessed based on the individual-asset level, and was not included in the impairment testing based on CGUs.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Set out below is an overview of financial assets, other than cash and cash equivalent, trade and other receivables and pledged deposits, held by the Group as at the end of the year:

		As at 31 December	
		2022	2021
	Notes	***RMB'000***	*RMB'000*
Non-current			
Financial assets at fair value through profit or loss:			
Unlisted equity investments, at fair value		**225,164**	266,999
Total non-current	*(i)*	**225,164**	266,999
Current			
Financial assets at fair value through profit or loss:			
Wealth management products		**962,988**	109,304
Total current	*(ii)*	**962,988**	109,304
Total other financial assets		**1,188,152**	376,303

(i) The above equity investments at 31 December 2022 were classified as financial assets at fair value through profit or loss as the Group has not elected to recognise the fair value gain or loss through other comprehensive income.

The amount represents equity investments in the unquoted equity shares of KBP Biosciences Holdings Limited, PsiOxus Therapeutics Limited, Ascendum Healthcare Fund, Shenzhen MileBot Robotics Co., Ltd., Beijing Gretson Biomedical Technology Co., Ltd and Beijing Gerui Biomedical Technology Co., Ltd. The Group intends to hold these equity shares for the foreseeable future and has not irrevocably elected to classify them at fair value through other comprehensive income.

(ii) The amount represents wealth management products issued by certain reputable banks in Mainland China with no fixed interest rate. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

13. TRADE AND OTHER RECEIVABLES

		As at 31 December	
		2022	2021
	Notes	***RMB'000***	*RMB'000*
Trade receivables – third parties	*(i)*	**513,818**	651,490
Notes receivable	*(ii)*	**72,276**	171,215
Loans to associates	*(iii)*	**83,765**	208,111
Loans to third parties		**28,922**	6,804
Prepayments to suppliers		**141,022**	140,091
Amounts due from other related party		**9,600**	9,600
Amount due from a joint venture		**3,695**	2,911
Amount due from an associate		**224**	224
Dividends receivable		**40,727**	–
Receivable for disposal of subsidiaries		**101,385**	–
Other receivables	*(iv)*	**215,108**	107,453
		1,210,542	1,297,899
Provision of impairment on trade receivables	*(i)*	**(63,848)**	(43,640)
Provision of impairment on other receivables	*(iv)*	**(28,066)**	(19,831)
		1,118,628	1,234,428

(i) Trade receivables – third parties

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**513,818**	651,490
Provision for impairment	**(63,848)**	(43,640)
	449,970	607,850

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally from three to six months, extending up to one year for major customers. 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 and monitored regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the year, based on the invoice date and net of provisions, is as follows:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Within 3 months	**237,080**	426,782
3 to 6 months	**55,058**	35,746
6 months to 1 year	**80,481**	137,682
More than 1 year	**77,351**	7,640
	449,970	607,850

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

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
At beginning of year	**43,640**	11,123
Impairment losses, net	**20,208**	32,517
At end of year	**63,848**	43,640

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on ageing of trade receivables. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

As at 31 December 2022

	Ageing of trade receivables				
	Less than 1 year	**1 to 2 years**	**2 to 3 years**	**Over 3 years**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Expected credit loss rate	**2.69%**	**32.24%**	**81.50%**	**100.00%**	**N/A**
Gross carrying amount	**382,920**	**113,140**	**3,715**	**14,043**	**513,818**
Expected credit losses	**10,301**	**36,476**	**3,028**	**14,043**	**63,848**

As at 31 December 2021

	Ageing of trade receivables				
	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Expected credit loss rate	2.97%	37.27%	83.48%	100.00%	N/A
Gross carrying amount	618,590	10,285	7,191	15,424	651,490
Expected credit losses	18,380	3,833	6,003	15,424	43,640

(ii) Notes receivable are held with a business model with the objective of both holding to collect contractual cash flows and selling as the Group sometimes endorses notes receivable to suppliers prior to their expiry date. These are classified as debt instruments at fair value through other comprehensive income and presented as notes receivable. The fair value changes of these notes receivable at fair value through other comprehensive income were insignificant during the years ended 31 December 2022 and 2021.

The Group seeks to maintain strict control over its outstanding notes receivable. As the notes receivable represent the irrevocable bank bills issued by the banks in Mainland China with high credit rating, the Group estimated that the expected credit loss rate for notes receivable was minimal.

(iii) The breakdown of loans to associates is as follows:

		As at 31 December	
		2022	2021
	Notes	***RMB'000***	*RMB'000*
Tonghua Tianshi Pharmaceutical Co., Ltd.	*(b)*	**78,754**	75,970
Jilin Zesheng Environmental Protection Engineering Co., Ltd.	*(c)*	**5,011**	5,224
Pharmadax (Foshan) Co., Ltd.	*(a)*	**–**	120,000
Beijing Ruiye Drugs Manufacture Co., Ltd.		**–**	6,917
		83,765	208,111

(a) The loan to an associate, Pharmadax (Foshan) Co., Ltd. ("**Pharmadax (Foshan)**"), amounting to RMB90,000,000 was non-interest-bearing, unsecured and payable in three to five years, and has been classified to other non-current assets.

(b) The loan to an associate, Tonghua Tianshi Pharmaceutical Co., Ltd. ("**Tonghua Tianshi**"), including a loan principal of RMB60,000,000 and interest receivable amounting to RMB18,754,000, was unsecured and repayable in full on demand. Interest is charged at 4.75% annually.

(c) The receivable from Jilin Zesheng Environmental Protection Engineering Co., Ltd. ("**Jilin Zesheng**"), comprised an unsecured loan principal of RMB83,521,000 and interest receivable amounting to RMB5,011,000, repayable in one year. Interest is charged at 6% annually.

The Group seeks to maintain strict control over its outstanding loans to minimise credit risk. Material balances are reviewed regularly by senior management. Loans to associates shown above had no recent history of default and past due amounts. As at 31 December 2022 and 2021, the loss allowance was assessed to be minimal.

(iv) Other receivables mainly represent deposits with suppliers. Expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

The Group assessed and recognised a provision for impairment of other receivables amounting to RMB28,066,000 (31 December 2021: RMB19,831,000) in accordance with IFRS 9 as at 31 December 2022.

The movements in the loss allowance for impairment of other receivables are as follows:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
At beginning of year	**19,831**	15,839
Impairment losses, net	**8,235**	3,992
At end of year	**28,066**	19,831

14. SHARE CAPITAL AND SHARE PREMIUM

	Number of authorised ordinary shares *Share'000*	Number of issued and fully paid ordinary shares *Share'000*	Share capital *RMB'000*	Share premium *RMB'000*	Total *RMB'000*
As at 1 January 2021 (HK$0.01 per share)	**100,000,000**	**9,465,682**	**78,186**	**4,084,846**	**4,163,032**
Movements for the year					
Repurchase and cancellation of shares (i)	**–**	**(139,063)**	**(1,156)**	**(205,251)**	**(206,407)**
Share options exercised	**–**	**3,380**	**28**	**2,709**	**2,737**
As at 31 December 2021 and at 31 December 2022 (HK$0.01 per share)	**100,000,000**	**9,329,999**	**77,058**	**3,882,304**	**3,959,362**

(i) During the year of 2021, the Company repurchased 139,063,000 shares of its own shares on the Stock Exchange at a total consideration, including expenses, of HK$243,084,000 (equivalent to RMB206,407,000). As at 31 December 2021, all repurchased shares were cancelled.

15. SHARE-BASED PAYMENTS

Share Option Scheme of the Company

The Company operates a share option scheme (the "**Share Option Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, the Company's shareholders, and any non-controlling shareholder in the Company's subsidiaries. The Scheme became effective on 24 October 2017 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The maximum number of shares of the Company to be issued upon exercise of all options which may be granted under the Share Option Scheme shall not in aggregate exceed 10% of the shares in issue as at the any time. The maximum number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme shall not exceed 30% of the Shares in issue at the any time. The maximum number of Shares issued and to be issued upon exercise of the options granted to any one Eligible Person (including exercised and outstanding options) in any 12-month period shall not exceed 1% of the shares at the any time.

On 26 August 2020, the Company granted a total of 94,656,000 share options to the eligible participants of the Company to subscribe for a total of 94,656,000 ordinary shares of HK$0.01 each in the share capital of the Company pursuant to the share option scheme of the Company adopted on 24 October 2017. All share options granted pursuant to the Share Option Scheme to the participants have a vesting period of three years after the grant date.

On 1 September 2021, the Company granted a total of 7,500,000 share options to the eligible participants of the Company to subscribe for a total of 7,500,000 ordinary shares of HK$0.01 each in the share capital of the Company pursuant to the share option scheme of the Company adopted on 24 October 2017. All share options granted pursuant to the Share Option Scheme to the participants have a vesting period of three years after the grant date.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Share Option Scheme during the year:

	2022		2021	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
	HK$ per share	***'000***	*HK$ per share*	*'000*
At 1 January	**1.07**	**98,776**	0.97	94,656
Granted during the year	**0.97**	**1,000**	2.20	7,500
Exercised during the year	**–**	**–**	0.97	(3,380)
Forfeited during the year	**0.97**	**(15,900)**	–	–
At 31 December	**1.08**	**83,876**	1.07	98,776

No share options were exercised during the year (2021: the weighted average share price at the date of exercise for share options exercised was HK$1.66 per share).

The summary of the share options granted to certain employees of the Group is as follows:

Grant date	**Exercise price in HK$ per share**	**Number of options granted (thousands)**
26 August 2020	**0.97**	**94,656**
1 September 2021	**2.20**	**7,500**
		102,156

The exercise prices and expiry dates of the share options outstanding as at the end of the year are as follows:

Expiry date	**Exercise price HK$ per share**	**Number of options '000**		**Number of outstanding vested and exercisable options '000**	
		2022	2021	**2022**	2021
25 August 2030	**0.97**	**76,376**	91,276	**65,496**	40,924
1 September 2031	**2.20**	**7,500**	7,500	**–**	–
At 31 December		**83,876**	98,776	**65,496**	40,924

During the year, total expenses amounting to RMB2,127,000 (2021: RMB21,090,000) were charged to the consolidated profit or loss for share options granted to eligible participants with a corresponding change in equity.

The executive directors of the board of the Company have used the binomial model to determine the fair value of the options granted, which is to be expensed over the vesting period of three years. Significant judgement on parameters, such as the risk-free rate, dividend yield and expected volatility, is required to be made by the executive directors of the board of the Company in applying the binomial model, of which the inputs are summarised below.

Grant date	**1 September 2021**	26 August 2020
Closing price at the grant date	**HK$2.20**	HK$0.90
Risk-free rate	**1.33%**	0.44%
Dividend yield	**0.72%**	1.71%
Expected volatility (i)	**58.42%**	44.81%

(i) The expected volatility, measured as the standard deviation of expected share price returns, is determined based on the average daily trading price volatility of the shares of the Company.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the year, the Company had 83,876,000 share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 83,876,000 additional ordinary shares of the Company and additional share capital of HK$839,000 (equivalent to RMB718,000) (before issue expenses).

Share Incentive Scheme of Xuanzhu Biopharmaceutical Technology Co., Ltd.

On 26 June 2020, the board meeting of Xuanzhu Biopharmaceutical Technology Co., Ltd. ("**Xuanzhu**") (a subsidiary of the Group) passed a resolution to adopt an employee share award plan ("**Xuanzhu 2020 Share Incentive Scheme**") and 79,695,000 restricted shares of Xuanzhu were approved for eligible employees to subscribe at the price of RMB1.57 per share. These restricted shares have a contractual term of nil to three years.

On 10 September 2021, the board meeting of Xuanzhu passed resolutions to adopt an employee share award plan ("**Xuanzhu 2021 Share Incentive Scheme**") including:

1) 49,642,300 restricted shares of Xuanzhu were approved for eligible employees to subscribe at the price of RMB1.2343 per share with a contractual term of three years;

2) The 29,900,000 shares of Xuanzhu, which were granted to executives under Xuanzhu 2020 Share Incentive Scheme, were replaced by a new contractual term of three years and an exercise price of RMB0.263 per restricted share;

3) The 44,045,000 restricted shares of Xuanzhu, which were approved to eligible employees under Xuanzhu 2020 Share Incentive Scheme, were modified with an exercise price of RMB0.263 per share; and

4) 46,888,350 restricted shares of Xuanzhu were approved for eligible employees to subscribe at the price of RMB0.263 per share with a contractual term of three years.

On 31 March 2022, Xuanzhu granted 2,733,880 and 124,120 restricted shares of Xuanzhu to eligible employees at the price of RMB0.263 and RMB1.2343 per share respectively with a contractual term of three years.

On 21 July 2022 and 30 November 2022, Xuanzhu granted 933,104 and 5,037,630 restricted shares of Xuanzhu to eligible employees at the price of RMB0.263 per share with a contractual term of three years.

The following share awards were outstanding under Xuanzhu Share Incentive Scheme Scheme during the year:

	2022		2021	
	Weighted average subscription price *RMB per share*	**Number of shares** *'000*	Weighted average subscription price *RMB per share*	Number of shares *'000*
At 1 January	**0.938**	**169,887**	1.57	78,927
Granted during the year	**0.277**	**8,829**	0.644	144,848
Replacement during the year	**–**	**–**	1.311	(29,900)
Forfeited during the year	**0.738**	**(15,465)**	1.311	(23,988)
At 31 December	**0.921**	**163,251**	0.938	169,887

The fair value of the restricted shares awards granted during the year was RMB31,001,000 (RMB3.51 each share). For the year ended 31 December 2022, the Group has recorded share-based compensation expenses of RMB70,129,000 (2021: RMB23,492,000).

The fair value as at the grant date or the date of modification was determined using the market-value model. The following table lists the inputs to the model used:

	2022	2021
Grant date/modification date share price (RMB)	**2.19**	2.19
Subscription price (RMB)	**1.23**	1.23
Risk-free rate	**2.55%**	2.55%
Volatility	**56.49%**	56.49%
Price-to-R&D expense multiple	**12.8**	N/A

Share Incentive Scheme of Jilin Huisheng Biological Pharmaceutical Co., Ltd.

On 13 November 2020, the shareholders' meeting of Jilin Huisheng Biological Pharmaceutical Co., Ltd. ("**Jilin Huisheng**") (a subsidiary of the Group) passed a resolution to adopt an employee share award plan ("**Jilin Huisheng Share Incentive Scheme**") and 27,950,000 restricted shares of Jilin Huisheng were approved for eligible employees to subscribe at the price of RMB1.33 per share.These restricted shares have a contractual term from three to four years.

The following share awards were outstanding under Jilin Huisheng Share Incentive Scheme during the year:

	2022 Weighted average subscription price *RMB per share*	**2022** Number of shares *'000*	2021 Weighted average subscription price *RMB per share*	2021 Number of shares *'000*
At 1 January	**1.33**	**24,395**	1.33	27,950
Forfeited during the year	**1.33**	**(1,680)**	1.33	(3,555)
At 31 December	**1.33**	**22,715**	1.33	24,395

For the year ended 31 December 2022, 1,680,000 (2021: 3,555,000) shares have been forfeited since the grant date.

For the year ended 31 December 2022, the Group has recorded share-based compensation expenses of RMB12,629,000 (2021: RMB14,701,000).

The fair value as at the grant date was determined using the market-value model. The following table lists the inputs to the model used:

	Jilin Huisheng Share Incentive Scheme
Grant date share price (RMB)	**1.89**
Subscription price (RMB)	**1.33**
Risk-free rate	**3.04%**
Volatility	**38.12%**

Share Incentive Scheme of Beijing MeiYan Space Biomedical Co., Ltd.

On 1 July 2022, the board meeting of Beijing MeiYan Space Biomedical Co., Ltd. ("**Beijing Meiyan**") (a subsidiary of the Group) passed a resolution to adopt an employee share award plan ("**Beijing Meiyan Share Incentive Scheme**") and 9,421,690 restricted shares of Beijing Meiyan were approved for eligible employees to subscribe at the price of RMB2.20 per share. These restricted shares have a contractual term from three to four years.

The following share awards were outstanding under the Scheme during the year:

	2022 Weighted average subscription price *RMB per share*	**2022** Number of shares *'000*
At 1 January	**–**	**–**
Granted during the year	**2.20**	**9,422**
At 31 December	**2.20**	**9,422**

The fair value of the share awards granted during the year was RMB30,076,000 (RMB3.19 each share), of which the Group recognised a share awards expense of RMB4,781,000 during the year ended 31 December 2022.

The fair value as at the grant date was determined using the market-value model. The following table lists the inputs to the model used:

	Beijing Meiyan Share Incentive Scheme
Grant date share price (RMB)	**5.39**
Subscription price (RMB)	**2.20**
Enterprise value to earnings before interest, Taxs and depreciation and amortization ("EV/EBITDA") multiple	**12.39**

16. OTHER RESERVES AND RETAINED EARNINGS

	Other reserves			
	PRC statutory reserve fund *RMB'000*	Others *RMB'000*	Total *RMB'000*	Retained earnings *RMB'000*
At 31 December 2020 and at 1 January 2021	326,396	398,826	725,222	4,302,088
Profit for the year	–	–	–	416,509
Dividends *(note 9)*	–	–	–	(123,054)
Employee share award scheme				
– Value of employee services	–	59,350	59,350	–
Recognition of redemption liabilities on a subsidiary's shares	–	(1,573,500)	(1,573,500)	–
Acquisition of non-controlling interests	–	(8,844)	(8,844)	–
Capital contribution by non-controlling shareholders of subsidiaries	–	475,948	475,948	–
Partial disposal of equity interests in subsidiaries without change of control	–	51,067	51,067	–
Transfer to PRC statutory reserve fund (i)	49,320	–	49,320	(49,320)
At 31 December 2021 and at 1 January 2022	**375,716**	**(597,153)**	**(221,437)**	**4,546,223**
Loss for the year	**–**	**–**	**–**	**(1,914,918)**
Dividends *(note 9)*	**–**	**–**	**–**	**(1,315,530)**
Employee share award scheme				
– Value of employee services *(note 15)*	**–**	**89,666**	**89,666**	**–**
Recognition of redemption liabilities on subsidiaries' shares *(note 17)*	**–**	**(989,949)**	**(989,949)**	**–**
Acquisition of non-controlling interests	**–**	**–**	**–**	**–**
Special reserve for maintenance and production funds	**–**	**3,368**	**3,368**	**–**
Capital contribution by non-controlling shareholders of subsidiaries	**–**	**580,213**	**580,213**	**–**
Transfer to PRC statutory reserve fund (i)	**9,289**	**–**	**9,289**	**(9,289)**
At 31 December 2022	**385,005**	**(913,855)**	**(528,850)**	**1,306,486**

(i) The Company's subsidiaries in the Mainland China are required to follow the laws and regulations of the Mainland China and their respective articles of association. These subsidiaries are required to allocate at least 10% of their net profits for each financial year to the reserve fund until the balance of such fund has reached 50% of their respective registered capital. The reserve fund can only be used, upon approval by the shareholders' meeting or similar authorities, to offset accumulated losses or increase capital. The reserve fund is not available for distribution to shareholders except in the case of liquidation.

17. OTHER LIABILITIES

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Deferred government grants (i)	**142,068**	80,052
Other borrowings (ii)	**54,182**	31,530
Sale-leaseback (iii)	**42,200**	–
Redemption liabilities on subsidiary's shares (iv)	**2,804,261**	1,662,783
	3,042,711	1,774,365
Less: current portion		
Deferred government grants-current (i)	**11,914**	7,681
Other borrowings (ii)	**13,893**	–
Sale-leaseback (iii)	**8,118**	–
	33,925	7,681
Non-current portion	**3,008,786**	1,766,684

(i) It represents the deferred revenue of government grants received for the construction of property, plant and equipment. It will be credited to the consolidated profit or loss on a straight-line basis over the expected lives of the related assets.

(ii) Other borrowings consist of borrowings amounting to RMB39,289,000 (31 December 2021: 31,530,000) from a non-controlling shareholder of a Group's subsidiary, which are interest-bearing, unsecured and repayable in seven to nine years, a borrowing amounting to RMB13,893,000 (31 December 2021: Nil) from a third party, which is interest-free, unsecured and repayable in one year, and a borrowing amounting to RMB1,000,000 (31 December 2021: Nil) from a third party, which is interest-bearing, unsecured and repayable in nine years.

(iii) Sale-leaseback represents long-term payables to a third party amounting to RMB42,200,000 (31 December 2021: Nil), was secured by mortgages over the sale-leaseback equipments with an aggregate carrying value of RMB52,729,000. No gain or loss was recognized during the sale and leaseback transaction.

(iv) As at 31 December 2022, redemption liabilities on subsidiaries' shares amounting to RMB2,804,261,000 (31 December 2021: RMB1,662,783,000). Pursuant to the agreements with these non-controlling shareholders, capital contribution and related shares being transferred shall be redeemable by the Group upon the occurrence of certain contingent events which cannot be controlled by the Group. The redemption obligations give rise to financial liabilities, which are measured at the net present value of the redemption amount.

18. TRADE AND OTHER PAYABLES

	Note	As at 31 December **2022** ***RMB'000***	 2021 *RMB'000*
Trade payables	*(i)*	**205,782**	118,906
Costs of construction and purchase of equipment payables		**181,465**	104,838
Deposit payables		**356,648**	189,597
Accrued reimbursement to distributors		**527,179**	968,498
Salaries payable		**91,603**	80,750
Other payables		**182,616**	132,346
Dividends payable		**353**	324
Interest payable		**9,921**	8,735
Payable for acquisition of a subsidiary		**300,000**	342,750
Payable for additional interest of a subsidiary		**–**	5,250
Payable for research and development expenses		**71,377**	19,295
		1,926,944	1,971,289

(i) The trade payables are non-interest-bearing and have an average term of 40 days.

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

	As at 31 December **2022** ***RMB'000***	 2021 *RMB'000*
Within 6 months	**165,760**	86,623
6 months to 1 year	**24,166**	7,896
More than 1 year	**15,856**	24,387
	205,782	118,906

The fair values of trade and other payables approximate to their carrying amounts.

19. INTEREST-BEARING BANK BORROWINGS

	As at 31 December					
	2022			2021		
	Effective interest rate (%)	**Maturity**	***RMB'000***	Effective interest rate (%)	Maturity	*RMB'000*
Current						
Secured bank borrowings	**3.45-4.60**	**2023**	**301,272**	3.45-4.65	2022	170,000
Unsecured bank borrowings	**3.50**	**2023**	**25,803**	3.85	2022	30,000
			327,075			200,000
Non-current						
Secured bank borrowings	**4.90**	**2035**	**540,000**	4.90	2035	485,892
Secured bank borrowings	**2.80-4.20**	**2025**	**218,805**	4.75	2025	127,384
Secured bank borrowings	**4.60-4.75**	**2027**	**33,613**	4.00	2023	199,940
Secured bank borrowings	**4.50**	**2029**	**15,965**			
			808,383			813,216
			1,135,458			1,013,216

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Analysed into:		
Bank borrowings:		
Within the first year	**327,075**	200,000
Within the second to fifth years	**252,418**	327,324
Beyond the fifth year	**555,965**	485,892
	1,135,458	1,013,216

Notes:

(a) Certain of the Group's bank borrowings are secured by:

(i) Mortgages over the Group's leasehold land and property, plant and equipment with an aggregate carrying value of RMB999,871,000 (31 December 2021: RMB802,340,000);

(ii) The pledge of certain of the Group's time deposits amounting to RMB140,000,000 classified as non-current asset (31 December 2021: RMB140,000,000); and

(iii) A portion of equity interests in a subsidiary.

(b) All borrowings are denominated in RMB.

(c) The effective interest rates of the bank borrowings as at 31 December 2022 range from 2.8% to 4.90% (31 December 2021: 3.45% to 4.90%) per annum.

20. DISPOSAL OF INTERESTS IN SUBSIDIARIES

(a) Disposal of Lianben

During the year ended 31 December 2022, the Group transferred its entire interest in Lianben to an individual, Mr. Li Gongben, for a consideration of RMB46,500,000. An analysis of the net gain and cash inflow in respect of the disposal of Lianben is as follows:

	2022
	RMB'000
Property, plant and equipment	**165**
Right-of-use assets	**744**
Intangible assets	**191**
Inventories	**2,761**
Investments in subsidiaries	**1,000**
Trade and other receivables	**55,402**
Cash and cash equivalents	**21,414**
Lease liabilities	**(223)**
Contract liabilities	**(275)**
Trade and other payables	**(31,949)**
Interest-bearing bank borrowings	**(20,000)**
Lease liabilities (non-current)	**(518)**
Net assets derecognised	**28,712**
Consideration for disposal of Lianben	**46,500**
Gain on derecognition of Lianben	**17,788**
Analysis of cash flows in respect of the disposal of Lianben:	
Cash consideration received	**–**
Cash and cash equivalents disposed of	**(21,414)**
Net cash flow on disposal	**(21,414)**

(b) Disposal of Jilin Jiahui

During the year ended 31 December 2022, the Group transferred its entire interest in Jilin Jiahui to a third party, Beijing Lianben Technology Development Co., Ltd, for a consideration of RMB18,750,000. An analysis of the net gain and cash inflow in respect of the disposal of Jilin Jiahui is as follows:

	2022
	RMB'000
Property, plant and equipment	**36,259**
Intangible assets	**6,197**
Inventories	**75,501**
Trade and other receivables	**34,678**
Cash and cash equivalents	**1,141**
Contract liabilities	**(423)**
Trade and other payables	**(158,115)**
Non-controlling interests	**5,479**
Goodwill	**3,551**
Net assets derecognised	**4,268**
Consideration for disposal of Jilin Jiahui	**18,750**
Gain on derecognition of Jilin Jiahui	**14,482**
Analysis of cash flows in respect of the disposal of Jilin Jiahui:	
Cash consideration received	**–**
Cash and cash equivalents disposed of	**(1,141)**
Net cash flow on disposal	**(1,141)**

(c) Disposal of equity interests in Beijing Xuansheng pharmaceutical co., ltd. ("Beijing Xuansheng")

During the year ended 31 December 2022, the Group transferred its interest in Beijing Xuansheng to a third party for a consideration of RMB118,000,000. An analysis of the net gain and cash inflow in respect of the disposal of Beijing Xuansheng is as follows:

	2022
	RMB'000
Cash and cash equivalents	**21,105**
Trade and other receivables (current)	**213,124**
Income tax payable	**(95)**
Trade and other payables	**(116,350)**
Net assets derecognised	**117,784**
Consideration for disposal of Xuansheng	**118,000**
Gain on derecognition of net assets	**216**
Realised profit of intra-group sales	**193,852**
Gain on derecognition of Xuansheng	**194,068**
Analysis of cash flows in respect of the disposal of Xuansheng:	
Cash consideration received	**132,108**
Cash and cash equivalents disposed of	**(21,105)**
Net cash flow on disposal	**111,003**

21. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Share of net assets	**599,294**	234,641
Goodwill on acquisition	**472,191**	470,892
	1,071,485	705,533
Provision for impairment	**(389,311)**	–
	682,174	705,533

	2022	2021
	RMB'000	*RMB'000*
Opening balance at 1 January	**705,533**	1,070,387
Addition of associates and a joint venture (i)	**478,000**	–
Addition of deemed dilution	**–**	104,228
Dividends declared	**(40,727)**	(317,637)
Impairment during the year	**(389,311)**	–
Share of loss of associates and joint ventures	**(80,875)**	(158,581)
Gain on deemed disposal of interest in an associate	**9,554**	7,136
Closing balance at 31 December	**682,174**	705,533

(i) It represents the Group's investment in Tianjin Binhai Grand Flight Jimao Equity Investment Partnership (L.P.) ("**Binhai Yuanyi**"), Shenzhen Yimei Medical Technology Co., Ltd. ("**Yimei"**) and Jilin Baixing Bairong Investment Center (Limited Partnership) ("**Baixing Bairong**"), and Beijing Jingyan Biomaterial Technology Co., Ltd. ("**Beijing Jingyan**") during the year ended 31 December 2022.

Impairment testing

The management recognised each associate or joint venture as one CGU for impairment testing. The recoverable amount of the CGU has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a fixed-year period approved by management. Cash flows beyond the fixed-year period are extrapolated using the estimated growth rates stated below.

Assumptions were used in the value-in-use calculation of the investments at 31 December 2022. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of investments:

Gross profit margins: Management determined budgeted gross profit margins based on past performance and their expectations of market development.

Growth rate: The average growth rates used are consistent with the forecasts included in industry reports.

Discount rate: The discount rates used are after tax and reflect specific risks relating to the relevant units. When determining the estimated discount rate, the Group used the key parameters by reference to certain companies of the same industry.

During the year, an impairment loss of approximately RMB389,311,000 was recognized in the profit or loss. The impairment changes are driven by the lower recoverable amount of CGU resulting in the directors' reassessment of estimate future business performance.

The Group's shareholdings in the associates and joint ventures all comprise equity shares held by wholly-owned subsidiaries of the Company, except for Yimei and Beijing Jingyan, the shareholdings in which are held through non-wholly-owned subsidiaries of the Company.

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

Summarised statements of financial position

	Other Associates and Joint Ventures As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Current		
Assets	**1,054,859**	1,987,317
Liabilities	**(867,161)**	(1,804,225)
Total net current assets	**187,698**	183,092
Non-current		
Assets	**1,496,542**	1,496,970
Liabilities	**(494,499)**	(1,257,850)
Total net non-current assets	**1,002,043**	239,120
Net assets	**1,189,741**	422,212

Summarised statements of profit or loss

	Associates and Joint Ventures	
	2022	2021
	RMB'000	*RMB'000*
Revenue	**281,081**	511,067
Loss before income tax	**(380,201)**	(405,583)
Income tax expense	**(469)**	(15,213)
Loss for the year	**(380,670)**	(420,796)
Total comprehensive loss	**(380,670)**	(420,796)

The information above reflects the amounts presented in the financial statements of the associates and joint ventures adjusted for differences in accounting policies among the Group and the associates and joint ventures.

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interests in associates and joint ventures.

	Associates and Joint Ventures 2022 *RMB'000*	2021 *RMB'000*
Opening net assets 1 January	**422,212**	1,467,987
Capital injection by shareholders	**73,689**	60,725
Addition of associates and joint ventures	**1,157,626**	147,117
Loss for the year	**(380,670)**	(420,796)
Dividends	**(83,116)**	(832,821)
Closing net assets	**1,189,741**	422,212
Interest in associates and a joint venture	**599,294**	234,641
Goodwill	**472,191**	470,892
Impairment	**(389,311)**	–
Carrying value	**682,174**	705,533

22. COMMITMENTS

(a) Capital commitments

The Group had the following capital commitments at the end of the year:

	As at 31 December 2022 *RMB'000*	2021 *RMB'000*
Contracted, but not provided for:		
Property, plant and equipment	**161,702**	396,381
Intangible assets – product development in progress	**133,232**	72,091
	294,934	468,472

(b) Lease commitments

The Group had the following lease commitments at the end of the year:

	As at 31 December 2022 *RMB'000*	2021 *RMB'000*
Contracted, but not provided for:		
Short-term leases and leases of low-value assets	**1,107**	3,344

FINANCIAL REVIEW

Revenue

Revenue from continuing operations of the Group for the Year decreased by 28.2% to approximately RMB2,181.2 million (2021: RMB3,038.4 million) due to the impact of the continued development of the domestic epidemic and policy changes of the pharmaceutical industry. Among it, the revenue from medical aesthetic products decreased by 62.5% to approximately RMB149.8 million (2021: RMB399.0 million). In addition, revenue from innovative medicine and other medicine increased by 47.5% to approximately RMB60.9 million (2021: RMB41.3 million), whereas the remaining revenue from sales of generic medicine, which contributed to 90.3% of total revenue, decreased by 24.2% (approximately RMB627.6 million) to approximately RMB1,970.5 million (2021: RMB2,598.1 million).

Cost of sales

Cost of sales of the Group for the Year amounted to approximately RMB693.6 million (2021: RMB607.9 million), accounting for approximately 31.8% of the total revenue.

Gross profit

Gross profit for the Year amounted to approximately RMB1,487.6 million (2021: RMB2,430.5 million) with a decrease of approximately RMB942.9 million, mainly due to the significant decline in the revenue. Overall gross profit margin declined from 80.0% for the last year to 68.2% for the Year. The lower gross profit margin was resulted from the combined impact of centralised procurement which caused a slight decrease in selling prices and the increase in costs.

Other gains – net

Other gains – net for the Year increased by approximately RMB36.1 million to approximately RMB350.2 million (2021: RMB314.1 million). It was mainly due to an increase in gain on derecognition of subsidiaries.

Impairment losses on non-current assets

The Group performed impairment testing on assets annually or more frequently if events or change in circumstances indicate that the carrying amount may be impaired. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the fair value of an asset less costs to sell and value-in-use. Due to the policy changes in the pharmaceutical industry, the sales price and sales volume of the products were affected in different degrees. The Group impaired the related assets according to impairment test. Impairment losses on property, plant and equipment, intangible assets, goodwill, right-of-use assets, investment properties, and investments accounted for using the equity method during the year amounted to approximately RMB1,130.6 million, RMB113.1 million, RMB8.8 million, RMB84.5 million, RMB0.8 million and RMB389.3 million respectively (2021: Nil, RMB131.3 million, Nil, Nil, Nil and Nil). The main businesses involved in the impairment losses included generic pharmaceuticals, APIs and healthcare.

	2022	2021
	RMB'000	*RMB'000*
Impairment losses:		
Property, plant and equipment	**1,130,627**	–
Intangible assets	**113,138**	131,297
Goodwill	**8,761**	–
Right-of-use assets	**84,510**	–
Investment properties	**772**	–
Investments accounted for using the equity method	**389,311**	–
	1,727,119	131,297

Distribution expenses

Distribution expenses for the Year amounted to approximately RMB471.1 million (2021: RMB536.7 million), accounting for 21.6% of revenue for the Year, increasing from 17.7% for 2021. The increase was mainly due to the decrease in sales prices.

Administrative expenses

Administrative expenses for the Year was approximately RMB552.2 million (2021: RMB592.2 million), and basically there was no change.

R&D expenses

R&D expenses for the Year amounted to approximately RMB936.6 million (2021: RMB868.1 million) which represented an increase of approximately RMB68.5 million compared with last year. It was mainly attributable to many R&D pipelines of Xuanzhu Biopharm and Huisheng Biopharm which have entered into phase 2 or phase 3 clinical trials and development of medical aesthetic segment.

Other expenses

Other expenses for the Year amounted to approximately RMB139.4 million (2021: RMB36.6 million), which represented an increase of approximately RMB102.8 million compared with last year. It was mainly attributable to an increase in write-down of inventories to net realisable value.

Finance expenses

Finance expenses for the Year amounted to approximately RMB211.2 million (2021: RMB117.4 million), which represented an increase of approximately RMB93.8 million compared with last year. The non-cash expenses of approximately RMB151.5 million (2021: RMB89.3 million) included in finance expenses were due to the corresponding interest incurred on the share repurchase rights of Xuanzhu Biopharm and Huisheng Biopharm which were recognized as liabilities for accounting treatment.

Loss before tax from continuing operations

Taking into account all the above reasons, the loss before tax from continuing operations of the Group for the Year amounted to approximately RMB2,122.8 million (2021: profit of RMB496.0 million). The loss incurred for the Year included non-cash impairment losses of approximately RMB1,727.1 million (2021: RMB131.3 million).

Income tax expense

Income tax expense of the Group for the Year amounted to approximately RMB196.8 million (2021: RMB253.1 million). Although the consolidated financial statements showed a loss for the Year, the generic medicine segment and the medical aesthetic segment showed taxable profits under the PRC statutory tax regime.

Loss for the year from continuing operations

Taking into account all the above reasons, during the Year, the Group's loss for the year from continuing operations amounted to approximately RMB2,319.6 million (2021: profit of RMB242.9 million).

Loss attributable to owners of the Company

Loss attributable to owners of the Company for the Year amounted to approximately RMB1,914.9 million (2021: profit of RMB416.5 million).

Liquidity and financial resources

The Group maintained strong financial position. During the Year, net cash flows from operating activities amounted to approximately RMB46.5 million. Huisheng Biopharm successfully achieved funds raising of RMB1,080.0 million (of which RMB100.0 million was invested by a subsidiary of the Group) and dividends of approximately RMB1,315.5 million were paid to shareholders of the Company. As at 31 December 2022, the Group's cash and cash equivalents amounted to approximately RMB3,828.9 million (31 December 2021: RMB5,682.4 million). As at the same date, bank borrowings of the Group amounted to approximately RMB1,135.5 million (31 December 2021: RMB1,013.2 million) and other borrowings of the Group amounted to approximately RMB54.2 million (31 December 2021: RMB31.5 million). Accordingly, the Group maintained net cash of approximately RMB2,639.2 million (31 December 2021: RMB4,637.7 million). Approximately 73% of total amount of borrowings were at floating rates and the remaining 27% were at fixed rates (31 December 2021: 78% floating; 22% fixed). The Group's debt-to-equity ratio, expressed as a percentage of borrowings over equity attributable to owners of the Company, was 25.1%.

In general, the Group places its excess cash into interest-bearing bank accounts. The Group may use extra cash for short-term investments for higher returns. Thus, the Group has entered into agreements with certain banks for surplus cash investment. According to the terms of the agreements signed, the total amount of investment conducted by the Group for the Year was approximately RMB16,163.4 million. The investments made by the Group were short-term in nature and mainly consisted of financial planning products purchased from certain state-owned banks. At their discretion, issuing banks for the above-mentioned financial planning products may invest in financial instruments such as government bonds, discounted bank acceptance bills and commercial acceptance bills and bank deposits. As the highest applicable percentage ratio in respect of the investments in each bank (after aggregation according to rules 14.22 and 14.23 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange) separately is less than 5% as at the time of the investments according to Rule 14.07 of the Listing Rules, such investments did not constitute notifiable transactions under Chapter 14 of the Listing Rules.

As at 31 December 2022, the Group recognised total financial assets at fair value through profit or loss of approximately RMB963.0 million, comprising principal of investment of approximately RMB962.0 million and approximately RMB1.0 million of interest income, in the consolidated statement of financial position. As at the date of this announcement, the total amount of sold/redeemed investment principal amounted to approximately RMB113.1 million.

The Group had sufficient cash as at 31 December 2022. The Directors are of the opinion that the Group does not have any significant capital risk.

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Cash and cash equivalents	**3,828,863**	5,682,425

Inventories

As at 31 December 2022, inventories decreased RMB108.6 million to approximately RMB606.7 million (31 December 2021: RMB715.3 million). The inventory turnover period for the year was 343 days (31 December 2021: 359 days).

Trade and other receivables

The Group's trade receivables and notes receivable include credit sales of its products to be paid by its distributors. Other receivables of the Group mainly consist of prepayments to suppliers and deposits. As at 31 December 2022, the Group's trade and other receivables were approximately RMB1,118.6 million (31 December 2021: RMB1,234.4 million). Such decrease was mainly attributable to the decrease in trade receivables as a result of decreasing revenue.

Property, plant and equipment

The Group's property, plant and equipment include buildings, production and electronic equipment, vehicles and construction in progress. As at 31 December 2022, the net book value of the property, plant and equipment was approximately RMB2,301.0 million (31 December 2021: RMB3,304.9 million). The decrease during the Year was mainly attributable to the provision of impairment of approximately RMB1,130.6 million (2021: Nil).

Goodwill

The Group's goodwill arose from the acquisition of subsidiaries and business combinations. As at 31 December 2022, the net carrying amount of goodwill was approximately RMB1.9 million (31 December 2021: RMB14.2 million). The decrease during the Year was mainly attributable to the provision of impairment of approximately RMB8.8 million (2021: Nil).

Intangible assets

The Group's intangible assets mainly comprise customer relationships, deferred development costs, product development in progress and trademark and software. The deferred development costs and product development in progress mainly referred to the acquisition of several drug R&D projects and its R&D projects featuring independent development. As at 31 December 2022, net intangible assets amounted to approximately RMB626.5 million (31 December 2021: RMB610.1 million). The provision of impairment during the Year was approximately RMB113.1 million (2021: RMB131.3 million). For details, please refer to note 11 to the financial statements.

Trade and other payables

The Group's trade and other payables mainly comprise trade payables, deposit payables, accrued expenses and others. As at 31 December 2022, trade and other payables amounted to approximately RMB1,926.9 million (31 December 2021: RMB1,971.3 million).

Contingent liabilities

As at 31 December 2022, the Group had no material contingent liabilities (31 December 2021: Nil).

Off-balance sheet commitments and arrangements

As at 31 December 2022, the Group had neither entered into any off-balance sheet arrangements nor commitments to provide guarantees for any payment obligations with any third party. The Group did not have any variable interests in any unconsolidated entities which provide financing or liquidity funding, or incur market risk or provide credit support, or engage in the provision of leasing or hedging or R&D services to the Group.

Capital commitment

As at 31 December 2022, the Group's total capital commitment was approximately RMB294.9 million. It was mainly set aside for purchase of property, plant and equipment and intangible asset.

Credit risk

Credit risk arises from cash and cash equivalents, trade receivables, notes receivable, wealth management products and other receivables.

All the cash equivalents and bank deposits are placed in certain PRC reputable financial institutions and high-quality international financial institutions outside Mainland China. All those irrevocable bank bills, classified as notes receivable, are issued by banks in the PRC with high credit rating. There was no recent history of default of cash equivalents and bank deposits in relation to these financial institutions.

In relation to trade receivables, the Group has no significant concentrations of credit risk and has policies in place to ensure that certain cash advance has been received upon the agreement of the related sales orders with customers. For those with credit periods granted, the credit quality of the counterparties is assessed by taking into account their financial position, credit history and other factors. It also undertakes certain monitoring procedures to ensure that proper follow-up action is taken to recover overdue debts. The Group regularly performs aging analysis, assesses credit risks and estimates the recoverability regarding such receivables based on historical data and cash collection history of groups of trade receivables bearing similar credit risk.

Wealth management products are the bank financial products issued by certain PRC reputable banking institutions. There was no recent history of default and the executive directors of the board of the Company are of the opinion that the credit risk related to the investments is low.

In relation to other receivables, the credit quality of the debtors is assessed by taking into account their financial position, relationship with the Group, credit history and other factors. Management will also regularly review the recoverability of these other receivables and follow up on the disputes or amounts overdue, if any. The executive Directors are of the opinion that the default by counterparties is low.

No other financial assets bear a significant exposure to credit risk.

Foreign exchange risk

The Group's functional currency is RMB and financial instruments are mainly denominated in RMB. The Group has some cash balances mainly denominated in United States Dollar ("**USD**") and Hong Kong dollar ("**HK$**"). It is expected that any fluctuation of these foreign currencies' exchange rates would not have material effect on the operation of the Group. In addition, dividend payment in foreign currencies converted from RMB is subject to foreign exchange rules and regulations promulgated by the PRC government. The Group would closely monitor such exchange risk from time to time.

During the Year, the Group did not purchase any foreign exchange, interest rate derivative products or relevant hedging tools.

Treasury policy

The Group finances its ordinary operations mainly with internally generated resources. The principal objective of the Group's capital management is to maintain its ability to operate on a continuous basis. The Group regularly reviews its capital structure to ensure that the Group has sufficient financial resources to support its business operations.

Capital expenditure

The Group's capital expenditure mainly includes purchase of property, plant and equipment, prepaid land lease payments and intangible assets. For the Year, the Group's capital expenditure amounted to approximately RMB594.0 million, of which approximately RMB402.5 million and RMB191.5 million were spent on purchase of property, plant and equipment and purchase of or self-development of intangible assets, respectively. For the Year, the Group's investment in capital expenditure for R&D amounted to approximately RMB318.3 million, of which approximately RMB149.1 million was spent on property, plant and equipment. The remaining approximately RMB169.2 million related to, the purchase of, and self-development of intangible assets.

Material acquisitions and disposals

The equities of Lianben Technology, Lianben Chemical, Jilin Jiahui and Beijing Xuansheng were disposed of during the year ended 31 December 2022. For details, please refer to note 20 to the financial statements.

Future plans for material investments or capital assets

Save as disclosed in this announcement, the Group did not have other plans for material investments and capital assets during the Year and up to the date of this announcement.

Pledge of assets

As at 31 December 2022, the Group had pledged certain assets to secure banking facilities granted to subsidiaries. For further details, please refer to note 19 to the financial statements.

Human resources and remuneration of employees

Human resources are indispensable assets to the Group's success in a competitive environment. The Group is committed to providing competitive remuneration packages to all the employees and regularly reviewing human resources policies, to encourage employees to work towards enhancing the value of the Company and promoting the sustainable growth of the Company. The Group has also adopted share option scheme and share award scheme to recognise and reward the contribution of the employees for the benefit of the Group's operations and future development.

The Group continues to promote the building of talent training and development system, and conducts online and offline training based on the competency standards for positions at different levels to promote the cultivation and development of talents in the Group and ensure continuous supply of various types of talents.

As at 31 December 2022, the Group had 3,313 employees. For the Year, the Group's total salary and related costs were approximately RMB718.2 million (2021: RMB686.1 million), including bonus and non-cash share-based payments of approximately RMB49.1 million and RMB89.7 million (2021: RMB39.7 million and RMB59.4 million). Salary for employees was determined based on their job nature, personal performance and the market trends. The Group provides basic social insurance and housing accumulation fund for company employees as required by the PRC law.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's existing bye-laws (the "**Bye-Laws**") or the laws of Bermuda, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders of the Company (the "**Shareholders**").

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the Year, no Directors or their respective associates (as defined in the Listing Rules) are considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, at least 25% of the Company's issued share capital were held by members of the public as at the date of this announcement as required under the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (whether on the Stock Exchange or otherwise) during the year ended 31 December 2022.

EVENTS AFTER THE REPORTING PERIOD

The Group has no other significant events after the reporting period up to the date of this announcement.

CORPORATE GOVERNANCE CODE

The Company recognises the importance of corporate transparency and accountability. The Company is committed in achieving a high standard of corporate governance and leading the Group to attain better results and improve its corporate image with effective corporate governance procedures.

The Company has complied with all the applicable code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules during the reporting period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") set out in Appendix 10 to the Listing Rules. Having made specific enquiries, all Directors confirmed that they have complied with the required standard set out in the Model Code during the Year.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") had reviewed the Group's financial reporting matters and the internal control system in relation to finance and accounting and submitted improvement proposals to the Board.

The annual results of the Group for the year ended 31 December 2022 have been reviewed by the Audit Committee.

ANNUAL GENERAL MEETING

It is proposed that the forthcoming annual general meeting of the Company (the "**Annual General Meeting**") will be held on Friday, 2 June 2023. The notice of the Annual General Meeting will be published on the websites of the Company and the Stock Exchange and sent to the Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The register of members of the Company will be closed from Monday, 29 May 2023 to Friday, 2 June 2023 (both dates inclusive). In order to determine the identity of the Shareholders who are entitled to attend and vote at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Thursday, 25 May 2023.

INFORMATION ON FINAL CASH DIVIDEND

The Board recommended the declaration and payment of a final cash dividend of RMB3.2 cents per share (equivalent to HK3.7 cents per share) for the year ended 31 December 2022 in thanking Shareholders' support, subject to the approval by the Shareholders at the Annual General Meeting.

CLOSURE OF THE REGISTER OF MEMBERS FOR THE ENTITLEMENT OF FINAL CASH DIVIDEND

The register of members of the Company will be closed from Thursday, 8 June 2023 to Friday, 9 June 2023 (both dates inclusive). In order to qualify for the final cash dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Wednesday, 7 June 2023. The final cash dividend, subject to the approval by the Shareholders at the Annual General Meeting, will be payable on or around Friday, 23 June 2023 to the Shareholders whose names appear on the register of members of the Company on Friday, 9 June 2023.

SCOPE OF WORK OF THE GROUP'S AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2022 as set out in preliminary announcement have been agreed by the Group's auditor, Ernst & Young ("**EY**"), to the amounts set out in the Group's draft consolidated financial statements for the Year. The work performed by EY in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements issued by the International Auditing and Assurance Standards Board and consequently no assurance has been expressed by EY on the preliminary announcement.

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE WEBSITE

This announcement is published on the websites of the Company (www.sihuanpharm.com) and the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2022 will be dispatched to Shareholders and available on the above websites in due course.

PROPOSED AMENDMENTS TO THE BYE-LAWS AND ADOPTION OF THE NEW BYE-LAWS

With effect from 1 January 2022, the Listing Rules have been amended which requires, among others, listed issuers to adopt a uniform set of 14 "Core Standards" for shareholder protections for issuers set out in Appendix 3 to the Listing Rules. As such, the Board proposes to make certain amendments to the Bye-Laws in order to (i) bring the Bye-Laws in line with the amendments made to the Listing Rules and the applicable laws of Bermuda, (ii) provide flexibility to the Company in relation to the conduct of general meetings (including allowing general meetings to be held as hybrid meetings or electronic meetings in addition to physical meetings) and (iii) make some other housekeeping improvements.

The proposed amendments to the Bye-Laws and adoption of amended and restated bye-laws of the Company (the "**New Bye-Laws**") are subject to the consideration and approval of the Shareholders by way of a special resolution at the Annual General Meeting.

A circular containing, among other things, further information regarding the proposed amendments to the Bye-Laws and adoption of the New Bye-Laws, together with the notice of the Annual General Meeting will be published on the websites of the Company and the Stock Exchange and sent to the Shareholders in due course.

APPRECIATION

The Board would like to express its sincere appreciation to our Shareholders, customers and suppliers for their continued support of the Group. The Board also wishes to thank the Group's management and staff for achieving remarkable progress in the Group's business and their dedication and commitment for improving the Group's management.

By order of the Board
Sihuan Pharmaceutical Holdings Group Ltd.
Dr. Che Fengsheng
Chairman and Executive Director

Hong Kong, 24 March 2023

As at the date of this announcement, the executive Directors of the Company are Dr. Che Fengsheng (Chairman), Dr. Guo Weicheng (Deputy Chairman and Chief Executive Officer), Dr. Zhang Jionglong, Ms. Chen Yanling and Ms. Miao Guili; and the independent non-executive Directors of the Company are Mr. Patrick Sun, Mr. Tsang Wah Kwong and Dr. Zhu Xun.