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 2024

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 2024 (the "**Year**") together with the comparative figures for the previous year.

FINANCIAL SUMMARY OF THE GROUP

- Total revenue of the Group for the Year was approximately RMB1,901.1 million (2023: RMB1,860.5 million), representing a year-on-year increase of approximately 2.2% (approximately RMB40.6 million).

- Among the changes in revenues, sales revenue from the medical aesthetics business was approximately RMB744.2 million (2023: RMB449.9 million), representing a year-on-year increase of approximately 65.4% (approximately RMB294.3 million), primarily due to the high level of product recognition gained in the market during the Year which drove a significant growth in sales revenue from its medical aesthetics business, coupled with the additional income generated from the sales of new products.

- Sales revenue from the generic medicine business was approximately RMB1,099.3 million (2023: RMB1,398.8 million), representing a year-on-year decrease of approximately 21.4% (approximately RMB299.5 million), mainly due to the impact of centralized procurement and the inclusion of certain products in the key monitoring catalogue by the relevant governing authorities, which led to a larger decline in the overall average price and sales volume of the generic medicine business during the Year.

- In addition, revenue from the innovative medicine and other medicine was approximately RMB57.6 million (2023: RMB11.8 million), representing a year-on-year increase of approximately 388.1% (approximately RMB45.8 million), mainly due to the approved launching of the first-class new drug Anaprazole Sodium, which was self-developed by Xuanzhu Biopharmaceutical Co., Ltd. ("**Xuanzhu Biopharm**") in the second half of 2023, and started generating revenue. The above changing trends in sales revenue are in line with the current industry policy of "innovation-driven and transformation" in the People's Republic of China ("**China**" or the "**PRC**").

- The Group's cost of sales for the Year was approximately RMB659.4 million (2023: RMB564.9 million), representing a year-on-year increase of RMB94.5 million or an increase of 16.7%. One of the main reasons was the significant growth in sales volume of the Group's medical aesthetics business during the Year, which led to a significant increase in the cost of sales.

- The Group's gross profit for the Year was approximately RMB1,241.7 million (2023: RMB1,295.6 million), representing a year-on-year decrease of approximately 4.2% (approximately RMB53.9 million), mainly due to the decrease in the gross profit of the Group's generic medicine business for the Year, with the decline in revenue being greater than the decline in costs.

- The Group's overall research and development ("**R&D**") expenses for the Year amounted to approximately RMB473.9 million (2023: RMB577.7 million), representing a year-on-year decrease of 18.0% (approximately RMB103.8 million), mainly due to the significant reduction of R&D staff costs.

- The Group's operating losses for the Year amounted to approximately RMB138.1 million (2023: profit of RMB161.7 million), of which the share-based payments amounted to approximately RMB418.0 million (2023: RMB89.1 million), representing a year-on-year increase of RMB328.9 million. This is mainly due to the incentive shares granted by Xuanzhu Biopharm, an innovative pharmaceutical subsidiary of the Group. Excluding this impact, the operating profit of the Group basically remained constant as compared to the last year.

- Loss for the Year of the Group amounted to approximately RMB471.5 million (2023: RMB257.7 million), representing a year-on-year increase of 83.0% (approximately RMB213.8 million) in loss, mainly due to the increase in share-based payments for the Year (reasons analysed as above).

- Loss attributable to owners of the Company for the Year amounted to approximately RMB216.7 million (2023: RMB54.0 million), representing a year-on-year increase of 301.3% (approximately RMB162.7 million) in loss, mainly due to the increase in share-based payments for the Year (reasons analysed as above).

- The basic loss per share was RMB2.34 cents for the Year.

- Net cash inflows from operating activities for the Year amounted to approximately RMB243.9 million. As at 31 December 2024, the Group's cash and cash equivalents, wealth management products, pledged deposits and time deposits amounted to approximately RMB3,976.4 million in aggregate.

In 2024, the pharmaceutical industry in China underwent profound transformations under the influence of multiple factors, including policy guidance, market changes, payment innovation, and geopolitical elements, demonstrating a multi-dimensional development trend. Over the past decade or so, Sihuan Pharmaceutical Group has kept pace with industry trends and actively sought changes. It has evolved from an enterprise primarily focused on generic cardiovascular and cerebrovascular drugs to one of the leaders in the fields of medical aesthetics, innovative pharmaceuticals and biopharmaceuticals sectors in China.

Reflecting on the transformation journey, Sihuan Pharmaceutical has consistently been market-driven, proactively shifting and adjusting its product development focus toward innovative and service-oriented medical aesthetics products. In the medical aesthetics sector, the Group has gradually improved its product line through independent R&D as well as cooperative introduction, covering all basic categories of non-invasive medical aesthetics sector and establishing strong market influence. In the realm of innovative drugs and biopharmaceuticals, the Group has continued to invest heavily in R&D and human resources, focusing on the treatment of four major diseases: digestive, oncology, NASH, and diabetes. It has simultaneously advanced multiple innovative drug and biopharmaceutical projects into clinical stages, with nearly 10 products obtaining drug registration approval by the National Medical Products Administration ("**NMPA**") in the last two years. Currently, the Group has successfully built a product pipeline featuring over 60 non-invasive medical aesthetics products and more than 40 innovative drugs and biopharmaceutical products, complemented by a nationwide marketing network with strong commercialization capabilities for medical aesthetics and pharmaceuticals.

After more than a decade of efforts, the innovative transformation of Sihuan Pharmaceutical has now yielded remarkable results. The business structure of the Company has become more diversified and it has achieved multiple breakthrough developments in the fields of medical aesthetics and innovative drugs.

Looking back at 2024, the pharmaceutical industry in China has undergone accelerated differentiation under the influence of multiple factors including policy, market, and competitiveness. On one hand, the increasing burden of aging and chronic diseases has driven a surge in demand for innovative drugs in areas such as oncology and metabolic disorders, biosimilars and targeted therapies, entering a phase of intensive commercialization, and on the other hand, traditional generic drugs faced revenue contraction due to centralized procurement pressures and the replacement cycle of existing products, pushing companies to focus on differentiated R&D as well as the capacity for pipeline iteration. Simultaneously, reforms in medical insurance payment methods and value-driven clinical access mechanisms opened up broader market opportunities for innovative drugs with breakthrough therapeutic efficacy.

At the same time, China's medical aesthetics industry underwent structural reshaping propelled by dual forces of policy regulation and technological breakthroughs. Regulatory authorities have significantly upgraded their compliance requirements regarding raw material purity and production processes, pushing companies to accelerate technical iterations. Concurrently, innovations of biomaterials such as breakthroughs in recombinant collagen and regenerative medicine technology restructured the value chain of the industry. Upstream enterprises with their own R&D capability, international layout capability, and extensive pipeline coverage capability will continue to solidify their advantages.

Although the operational indicators of the Group's generic drug business has demonstrated a phase of adjustment due to the impacts of industry policy dynamics adjustment such as centralized procurement and price reductions, it is under the background of market transformation and innovation that the Group has achieved several business breakthroughs by focusing on "innovation-driven + resource integration", including the medical aesthetics platform securing the registration application for the exclusive distribution of the radiofrequency treatment device Sylfirm X and the renewal of the exclusive distribution rights for the botulinum toxin Letybo®, thereby continuously solidifying products advantages. Throughout the Year, the Group's innovative drug subsidiaries, such as Huisheng Biopharmaceutical Co., Ltd. ("**Huisheng Biopharm**") and Xuanzhu Biopharm, have advanced the progress of R&D and registration of over ten drugs, covering major diseases such as diabetes (Insulin Degludec/Insulin Degludec and Insulin Aspart Injection/SGLT-2 inhibitors/ GLP-1 receptor agonists/DPP-4 inhibitors, etc.) and tumor (ALK inhibitors). Among these, the innovative drug Proline Ganagliflozin tablets, the first biosimilar of Insulin Degludec Injection, the first biosimilar of Insulin Degludec and Insulin Aspart Injection have been approved in rapid succession, creating a competitive advantage through a combination of "innovation + first biosimilar". In terms of commercialization, Semaglutide licensed-out for Weight Loss, the commercialization rights of the SGLT-2 inhibitor innovative drug Proline Ganagliflozin Tablets, have been authorized to Huadong Medicine in China, expected to accelerate the market entry and penetration of innovative drug products; being included in the NRDL or selected for national centralized procurement will significantly improve product accessibility, and this marks the Group's successful strategic transformation driven by the dual engines of "medical aesthetics + innovative drugs". The continuous enhancement of the development ability of synergy across the entire industrial chain has laid a solid foundation for the Company's future rapid growth.

ANNUAL RESULTS UPDATE

During the Year, the key progress achieved by the Group in R&D as well as products registration includes:

- **In the medical aesthetics field:** A total of 7 products were approved, and among them, the exclusively represented dual-wave radiofrequency treatment device, Sylfirm X, has obtained a Class III medical device registration certificate, has strengthened the layout of medical aesthetic device products.

- **In the diabetes field:** Huisheng Biopharm has comprehensively promoted the R&D and registration progress of its product pipeline, including the New Drug Application ("**NDA**") approval of the first biosimilar of Insulin Degludec Injection (Huiyouda), the first biosimilar of Insulin Degludec and Insulin Aspart Injection (Huiyoujia), forming a complete solution for long-acting and premixed insulin; and the Class 1 innovative drug SGLT-2 inhibitor Proline Ganagliflozin tablets (Huiyoujing) was also approved simultaneously, creating a "innovation + first biosimilar" combination advantage in the domestic diabetes field.

- **In the fields of Weight Loss and cardiovascular:** The Semaglutide Injection for Weight Loss received Investigational New Drug ("**IND**") approval during the Year and completed Phase III clinical trial enrollment for this indication in the first quarter of 2025, signaling an acceleration in the R&D progress of GLP-1 products; and Cardiovascular treatment drugs such as the anticoagulant Rivaroxaban Tablets and the antiplatelet drug Ticagrelor Dispersible Tablets have obtained the drug registration approvals successively, further enhancing the chronic disease treatment portfolio.

- **In the field of innovative oncology drugs:** Xuanzhu Biopharm's independently developed Class 1 innovative drug, XZP-3621, an ALK inhibitor, has submitted NDA application. It is applicable for the treatment of patients with ALK-Positive locally advanced or metastatic non-small cell lung cancer (NSCLC).

In terms of product sales, the Group has made positive progress in both the medical aesthetics and innovative pharmaceuticals as well as other pharmaceutical segments, which includes:

- **Sales of Medical Aesthetics Products:** During the Year, the Group's medical aesthetics company, Beijing Meiyan Space Biomedical Co., Ltd. ("**Meiyan Space**"), has built its operations based on the refined operation philosophy of a pharmaceutical company, comprehensively optimizing its marketing network and increasing investment in direct sales regional markets. In 2024, Meiyan Space expanded its sales coverage to over 1,500 new institutions, and brought the total coverage to over 6,200 small and medium-sized medical aesthetics institutions by the end of February 2025. Among them, at the strategic cooperation level, Meiyan Space signed annual cooperation agreements with 70 medical aesthetics chain groups and 77 key regional standalone institutions, covering 1,183 key core hospitals, representing an increase of over 400 core hospitals compared to the same period of last year. In terms of the sales team, the number of direct sales team members has increased by more than ten compared to 2023, with over 70% of the team members from major foreign medical aesthetics and pharmaceutical companies. The number of distributor teams has grown to over 40, covering all 34 provinces in the PRC. Currently, the product matrix consisting of botulinum toxin Letybo®, hyaluronic acid Persnica, dual-wave radiofrequency Sylfirm X and rejuvenation hydrogel Karlian has established a leading market position, earning customer recognition and approval.

- **Sales of Innovative Drugs and Other Pharmaceuticals:** During the Year, the Group's diabetes platform, Huisheng Biopharm, adopted a "direct sales + distribution" sales model for its product sales, leveraging a direct sales team of nearly 40 members and a distributor team of nearly 1,000 members with rich experience in the field of diabetes. The Insulin Aspart Injection series products have covered 30 provinces and nearly 2,300 hospitals. Meanwhile, Xuanzhu Biopharm, an innovative drug platform of the Group, has rapidly established a commercialization and sales team for products in the digestive system field. Cooperating with over 80 distributors, the company has quickly expanded its coverage to more than 1,000 hospitals nationwide, accelerating product sales, enhancing market access, and increasing market share.

At the same time, in terms of business expansion, the Group has strengthened its core area layout through a dual-track approach of product introduction and authorized cooperation:

- **Product Introduction:** During the Year, the medical aesthetics segment successfully renewed the exclusive distribution agreement for botulinum toxin Letybo® in the PRC, securing long-term advantages in the non-invasive medical aesthetics market; concurrently, a new exclusive agency agreement was signed with a Korean company Cellontech for the collagen intra-articular injectable CartiZol, expanding the application scenarios in regenerative medicine.

- **Authorized Cooperation:** Huisheng Biopharm has authorized Meiyan Space to develop the Weight Loss indication for Semaglutide, accelerating GLP-1 product layout, and reached an exclusive commercialization agreement with Huadong Medicine on SGLT-2 inhibitor Huiyoujing, by accelerating market penetration through mature channels. Xuanzhu Biopharm authorized Livzon Pharmaceutical to develop Fadanafil, an innovative drug of male health, achieving integration of R&D and commercial resources.

In addition, the Group has made substantial progress in medical insurance access and centralized procurement during the Year:

- Proline Ganagliflozin Tablets, a SGLT-2 inhibitor innovative drug developed by Huisheng Biopharm, was included in the National Reimbursement Drug List (2024 Edition) through negotiation, accelerating the market coverage; in addition, it was successfully incorporated into the "Chinese Diabetes Prevention and Treatment Guidelines (2024 Edition)" during the Year, further solidifying the position and role of Proline Ganagliflozin in the treatment of diabetes. This is expected to boost sales and market share.

- The Insulin Aspart series was selected in the insulin-specific continuation procurement, allowing this "barefoot" product to rapidly expand its market presence.

Through the strategic layout of "medical aesthetics + innovative drugs" as dual driving forces, Sihuan Pharmaceutical has currently established an industrial layout featuring a rich pipeline of non-invasive medical aesthetics and innovative drug products, complemented by a mature commercialization network that fosters synergistic development. This has successfully enabled the Company to achieve a substantive transformation towards an innovation-driven enterprise.

Looking ahead at industry development opportunities, it is evident that both the innovative drug and medical aesthetics sectors will heavily rely on technological breakthroughs and precise matching of demand. In the field of innovative drugs, differentiated target development, the expansion of indications and global clinical deployment will be the directions for breakthroughs; the medical aesthetics industry, on the other hand, must address the challenges of accelerated technological iteration, focusing on innovation in biomaterials and the construction of compliant channels. The commonality between these two major sectors lies in the fact that companies with the ability to sustain R&D investment and integrate international resources will be more likely to seize opportunities, while policy dividends and market expansion will provide structural opportunities for enterprises with clear strategies and efficient execution.

To further drive the sustained growth of Sihuan Pharmaceutical, in 2025, the Group plans to implement a development strategy centered on driving enterprise value growth, deeply focusing on the Company's high-growth new business, further increasing resource investment to the expansion of new medical aesthetics businesses and launching of new diabetes biopharmaceutical products, as well as the introduction and development of cutting-edge innovative products for oncology. By optimizing the efficiency of resources allocation, the Group aims to consolidate its competitive advantage during the industry transformation cycle, thereby creating sustainable investment value and high returns for shareholders and investors.

In the development of medical aesthetics business, the Group plans to achieve:

- Product Innovation and Upgrade: Continuously increasing investment in R&D, optimizing existing product formulations based on market feedback and cutting-edge technology to improve efficacy and safety; accelerating the development and launch of new product categories to meet emerging medical aesthetics demands such as anti-aging and fat reduction.

- Strengthening Brand Image: Further intensifying brand promotion efforts by highlighting the brand's unique cultural connotations and value propositions such as professionalism, safety, innovation etc., and collaborating closely with authoritative institutions and experts in the medical aesthetics industry to enhance the brand's professionalism and credibility.

- Deepening Technological Cooperation: Collaborating with top domestic and international medical aesthetics research institutions and universities to jointly develop new technologies and new products, maintaining a leading position in technology; accelerating the introduction of advanced foreign medical aesthetics technologies and management practices, and adapting them through localized innovation and application.

- Expanding International Markets: Closely monitoring trends in the global medical aesthetics market, and leveraging on the overseas channels and market expansion capabilities of the Group's U.S.-based subsidiary, Genesis Biosystems Inc. ("**Genesis**", headquartered in Dallas, USA), to introduce the Group's leading medical aesthetics products and mature business models to countries and regions with high demand for medical aesthetics and favorable policy environments, such as South Africa, Southeast Asia, and the Middle East; gradually establishing an international sales network and brand recognition to promote the Group's in-depth global medical aesthetics layout and long-term development.

In the development of our innovative pharmaceuticals business, the Group plans to achieve:

- Concentrating R&D resources and optimizing R&D pipeline: Evaluating existing R&D projects based on market needs and the Company's strengths, adjusting key R&D directions and concentrating resources on projects with significant market potential and good clinical outcomes to accelerate progress and enhance R&D efficiency and success rates.

- Promoting international cooperation: Establishing close cooperative relationships with renowned domestic and international clinical research institutions to expedite clinical trials for innovative drugs, so as to enhance the quality and efficiency of clinical trials; actively participating in international multi-center clinical trials to enhance the Company's influence and recognition in the international pharmaceutical field.

- Enhancing product commercialization capabilities: Building a professional commercialization team to plan ahead for marketing, promotion and sales strategies of innovative drugs; strengthening cooperation with hospitals, pharmacies, and other end channels to establish stable sales network and increase products' market coverage; staying informed about healthcare policy trends and actively promoting the inclusion of products in the reimbursement drug list to enhance accessibility and market competitiveness.

- Advancing international deployment: Monitoring global pharmaceutical market trends, actively pursuing registration and sales efforts in overseas markets to introduce competitive innovative drugs to the international market; establishing R&D centers or collaborative institutions overseas to attract top international talent and technological resources, thereby enhancing the Company's international R&D level and market expansion capability.

Detailed Progress of Business Segments

(I) Progress in the Medical Aesthetics Product Segment: Leading High-Quality Development of Medical Aesthetics Business with the Rigorous Ethos of a Pharmaceutical Enterprise

In 2024, the Group's medical aesthetics platform, Meiyan Space, continued to implement its upgraded 3.0 marketing strategy from late 2023. By deepening channel deployment, strengthening product matrix and academic empowerment, it has continued to solidify its leading position in the medical aesthetics industry. During the Year, the revenue of the medical aesthetics segment of the Group reached approximately RMB744.2 million, representing a year-on-year growth of approximately 65.4%. Segment results reached approximately RMB251.0 million, representing a year-on-year increase of approximately 173.4%.

The optimization of the product matrix is the core engine of Meiyan Space's competitiveness. Through the "self-research + BD" dual-track strategy, the platform has formed a portfolio of over 60 products covering filling, shaping, optoelectronic devices and skin management, satisfying the full lifecycle demand of beauty enthusiasts. Among them, a total of 7 products were approved during the Year, including the dual-wave radiofrequency device Sylfirm X and 3 types of injection needles, which obtained Class III medical device registration certificates, topical anesthetic Lidocaine and Prilocaine Cream, as well as 2 cosmetics (Aifumei Skin Tightening Serum and Scalp Care Hair Essence (艾芙美緊致靚膚精華和頭皮護理護髮精華). These products are currently preparing for market launch. Additionally, Meiyan Space has actively advanced its research pipeline. Among which, the Class III self-developed pipeline added new products such as hydroxyapatite, silk fibroin, and recombinant human collagen during the Year. On the overseas introduction, the Company signed an exclusive agency agreement with South Korea's Cellontech for the collagen intra-articular injectable CartiZol. By the end of 2024, 5 regenerative microsphere products and 8 HA hydrogels or filling products in the Class III pipeline under development have entered the registration phase, providing sustained momentum for the planning of future new product launches.

During the Year, Meiyan Space has comprehensively optimized its marketing network and strengthened investments in direct sales regional markets based on the refined operation philosophy of pharmaceutical enterprise. For the direct sales team, Meiyan Space continuously refined and adjusted its structure, establishing direct sales personnel in key regions like Beijing, Shanghai, Shenzhen, Henan, Xinjiang, and Shanxi etc during the Year. The number of direct sales team members increased by more than ten compared to 2023, with over 70% from major medical beauty and pharmaceutical multinationals. Simultaneously, we continued to strengthen the "direct sales + agency" dual-channel model, enhancing distribution management during the Year, and with the launch of hyaluronic acid Persnica and dual-wave radiofrequency Sylfirm X, our distributors expanded to over 40, covering all 34 provinces in China. At the strategic cooperation level, Meiyan Space signed annual cooperation agreements with 70 medical aesthetics chain groups and 77 regional core standalone institutions, covering nearly 1,200 core hospitals, being an increase of over 400 from the same period of last year. In core regions and top-tier institutions, we comprehensively promoted Letybo®. In terms of breadth, with the "Spark Plan" launched at the beginning of the Year, sales coverage of Meiyan Space in 2024 increased by over 1,500 newly developed institutions, cumulatively covering over 6,200 small and medium-sized medical aesthetics institutions by the end of February 2025. Under this upgraded sales layout, the product matrix comprising botulinum toxin Letybo®, hyaluronic acid Persnica, dual-wave radiofrequency Sylfirm X and rejuvenation hydrogel Karlian has established a leading industry position, earning widespread recognition and approval from customers.

Among them, dual-wave radiofrequency Sylfirm X is a dual-wave radiofrequency treatment device exclusively distributed by the Group and manufactured by VIOL Co., Ltd. in South Korea (VIOL Korea). The product officially received Class III medical device registration certificate from China's NMPA on 19 March 2024. Sylfirm X is the world's first dual-wave radiofrequency treatment device with approvals from both the U.S. Food and Drug Administration (FDA) and the NMPA. By emitting high-frequency currents to promote skin tissue coagulation, it effectively reduces wrinkles and treats atrophic acne scars.

Since the approval and launch of dual-wave radiofrequency Sylfirm X, Meiyan Space has conducted a series of marketing activities, continuously expanding its brand influence, including establishing appropriate Key Opinion Leader ("**KOL**") doctors for Sylfirm X tailored to regional attributes, participating in national aesthetics and dermatology related conferences for academic promotion, organizing city exchange meetings for doctors discussion, publishing educational content on Xiaohongshu, strengthening sales teams and increasing corporate clients etc. Through extensive demonstrations, experiencing the efficacy, safety and comfort of Sylfirm X, it has gained high recognition from KOLs, clinical doctors, and beauty seekers. Its unique features and the empowerment it brings to institutions have also earned widespread market and customer recognitions.

For products like Letybo® and Persnica, during the Year, Meiyan Space leveraged a multi-dimensional marketing system to fully enhance brand influence, institutional cooperation efficiency and terminal consumption conversion, injecting strong momentum into business growth. These included hosting 32 B-end meetings at regional level, covering 23 cities like Xi'an, Wuhan, and Chongqing etc., reaching nearly 900 doctors, consultants, and operation personals. At the same time, Meiyan Space launched three major series of activities, namely the "Le young club Goddess Season" , "Le young club Experience Officer" and "Le young club Time Season". Through institutional membership activities, private domain operations, creating mid-level consultants as brand ambassadors and enhancing institution satisfaction with anti-aging and injection projects through product enhancements, the Company increased interactions with institutions, deeply covering over 200 medical aesthetic institutions while strengthening institutional empowerment simultaneously.

In addition, deep exploration of academic and medical value is also key to Meiyan Space's differentiated competition. During the period, Meiyan Space sponsored 8 academic conferences, and conducted over 350 training sessions, covering more than 8,000 doctors. It also collaborated with authoritative institutions to publish literatures such as the "Expert Consensus on the Aesthetic Application of Botulinum Toxin in Asians" and the "Expert Consensus on the Clinical Application of Dual-Wave Radiofrequency Microneedling", establishing academic authority. Through initiatives like establishing the Sichuan University Tanmei Space Injection Training Base and joining the Adverse Reaction Rescue Center of the Chinese Association of Plastic and Aesthetic Surgery, Meiyan Space deeply engaged in the creation of industry ecosystem. In terms of the training system, innovative courses like micro-droplet injection and large muscle sculpting have been launched, cumulatively training nearly 3,000 injection and dermatology doctors. At the same time, it collaborated with leading KOLs to conduct 4 post-marketing investigator-initiated trial projects and worked with national KOLs to develop and update 25 sets of botulinum toxin and hyaluronic acid training materials, converting product advantages into clinical solutions, continuously enhancing influence among doctors.

In the international deployment of medical aesthetic business, Genesis from the U.S., which was wholly acquired by the Group at the end of 2021, has currently become a significant member of Meiyan Space. Genesis focuses on the development, manufacturing and distribution of beauty equipment, with its business scopes covering beauty skincare treatments and plastic surgery fields, providing robust support for the international expansion of Sihuan Pharmaceutical's medical aesthetic portfolio. In terms of products, microchannel system products such as DermaGenesis®, Dermacel®, and DermaFrac™ series leverage unique microneedle and vacuum suction technologies to create uniform microchannels in the skin without side effects or recovery time, demonstrating significant competitiveness in the international medical aesthetic market. The Lipivage® fat harvesting system, an innovative two-step fat collection, cleaning, and transfer system, improves upon conventional negative pressure liposuction techniques, enriching Sihuan Pharmaceutical's product matrix in the field of plastic surgery instruments. Genesis' products are sold in the U.S. and other regions, laying a solid foundation for Sihuan Pharmaceutical's medical aesthetic products to enter the global medical aesthetic market. At the same time, certain medical aesthetic products of Genesis have also begun product registration process in Indonesia, Malaysia, and China, with plans to continuously expand into international markets and will focus on developing markets in South America, such as Brazil, and the Middle East this year. This will continue to inject new momentum into the advancement of Sihuan Pharmaceutical's international medical aesthetic strategy, promoting the Group's in-depth layout and long-term development in the global medical aesthetic sector.

Looking forward, Meiyan Space will focus on "refined operations and medical-driven strategies" as its core, continuously promoting the development of strategic cooperation hospitals for Letybo®, and facilitating customized collaborations between hyaluronic acid Persnica and leading medical aesthetic groups. Sylfirm X will focus on its positioning as a "problem skin repair expert", working synergistically with Persnica to form an anti-aging matrix. For long term strategy, the platform will continue to optimize channel management, increase investment in clinical research and consolidate its leading position in the industry through compliant innovation, leading the medical aesthetic business towards sustained high-quality development with the rigorous genes of a pharmaceutical enterprise.

(II) Progress of innovative drugs and other drugs segment: Multiple products have passed the review and approval process and have been gradually commercialized

In 2024, the Group continued to drive the innovative transformation from generic drugs to the fields of innovative drugs and biopharmaceuticals. During the Year, the Group officially commenced the commercialization of a number of newly approved innovative drugs and biopharmaceutical products. During the Year, the revenue from the business segment of innovative drugs and other pharmaceutical products of the Group reached approximately RMB57.6 million, representing a year-on-year increase of approximately 388.1%. However, since there are still a number of products under development in this segment, the Group has maintained a high level of R&D expenses in order to ensure the rapid development of products. During the Year, the loss of this segment reached approximately RMB948.0 million.

1. Huisheng Biopharm: a total of 9 products were approved during the Year, rapidly advancing the commercialization process

As a biopharmaceutical company under the Group focusing on the therapeutic areas of diabetes and its complications, Huisheng Biopharm has a rich product pipeline of diabetes and complications, and is consistently accelerating product R&D, registration and commercialization processes. After ten years development, Huisheng Biopharm's products have entered a phase of intensive commercialization. During the Year, Huisheng Biopharm had 9 products (Strength:14) obtaining drug registration approvals, including Insulin Degludec Injection (Huiyouda), Insulin Degludec and Insulin Aspart Injection (Huiyoujia), Proline Ganagliflozin tablets (Huiyoujing) (monotherapy and in combination with Metformin Tablets), Empagliflozin Tablets, Sitagliptin and Metformin Tablets, Linagliptin Tablets, Vildagliptin Tablets, Calcium Dobesilate Capsules, and Epalrestat Tablets. In addition, the hypoglycemic indication of Semaglutide Injection has completed the phase III clinical trial and is currently in the data statistical analysis. The Weight Loss indication also received IND approval during the Year, and completed Phase III clinical trial enrollment in the first quarter of 2025.

Rich Product Pipelines, Realizing Full Coverage in Diabetes and Complications

During the year, 9 drugs were approved for launch, 2 drugs were in Abbreviated New Drug Application ("**ANDA**"),, and nearly 10 drugs were in different stages of clinical R&D

Therapeutic Area	Category	Drug name	Pre-clinical	IND	Phase I	Phase II	Phase III	NDA/ANDA	Approval
Diabetes	GLP-1 RA	**Semaglutide Injection (diabetes)**							
		Semaglutide Injection (obesity or overweight)*							
		HSP012C (dual targets)							
	SGLT-2 Inhibitors	**Ganagliflozin Proline Tablets (Huiyoujing) (Single drug, + metformin tablets)**							
		Dapagliflozin Tablets							
		Empagliflozin Tablets							
	Insulin (New type)	**Insulin Degludec Injection (Huiyouda)**							
		Insulin Degludec and Insulin Aspart Injection (Huiyoujia)							
		Insulin Degludec and Liraglutide Injection							
		HSP002 (Insulin injection once a week)							
	Insulin (3rd generation)	**Insulin Aspart Injection (Huiyourui)**							
		Insulin Aspart 30 Injection (Huiyourui 30)							
		Insulin Aspart 50 Injection (Huiyourui 50)							
	DPP-4 Inhibitors	Sitagliptin Phosphate Tablets, Sitagliptin Phosphate/Metformin Hydrochloride Tablets, Vildagliptin Tablets, Linagliptin Tablets							
	Glinide	Repaglinide Tablets							
Complications of diabetes	Preferred or commonly used in clinical, with unique mechanism	Mecobalamin Tablets, Mecobalamin Injection, Thioctic Acid Injection, Calcium Dobesilate Capsules, Epalrestat Tablets							

Note 1: Statistical date: as of 28 February 2025;
Note 2: Innovative drugs;
Note 3: First biosimilar;
Note 4: * The clinical R&D and commercialization rights in Greater China have been authorized to Meiyan Space during the year

The Insulin Degludec Injection (Huiyouda), Insulin Degludec and Insulin Aspart Injection (Huiyoujia) developed by Huisheng Biopharm are the first biosimilars to be approved after Novo Nordisk. According to clinical Phase III research data, the efficacy and safety of Huiyouda and Huiyoujia are comparable to the original. With the approval by the NMPA, these drugs will provide physicians and patients with high-quality, cost-effective domestic options for diabetes management. Insulin Degludec is a new-generation long-acting basal insulin analog, with a half-life of up to 25 hours in the human body and a duration of action of approximately 42 hours. Insulin Degludec Injection is classified as a Class B National Reimbursement Drug List. It has excellent glucose-lowering efficacy, ensuring stable and long-lasting blood glucose control, low risk of hypoglycemia and high safety. It is also the first long-acting insulin approved for administration at any time of the day (with an 8-hour interval) for diabetic patients, offering greater flexibility in injection timing and improved patient adherence.

Meanwhile, Insulin Degludec and Insulin Aspart Injection is composed of 70% Insulin Degludec and 30% Insulin Aspart. It is the world's first soluble dual-insulin formulation combining a long-acting and a rapid-acting insulin analog, and it is also classified as a Class B National Reimbursement Drug List. The Insulin Degludec and Insulin Aspart components of this product maintain their respective pharmacokinetic properties in the body, complementing each other's advantages, which reduces the potential for overlap effects of different components in traditional premixed insulin formulations, thereby more effectively lowering the risk of hypoglycemia. Insulin Degludec and Insulin Aspart Injection does not require mixing before injection, significantly simplifying its use and addressing issues related to inconsistent dosing. Additionally, Insulin Degludec and Insulin Aspart requires fewer injections, reducing both the treatment costs and psychological burden for patients, making it a more economical option.

Proline Ganagliflozin tablets (Huiyoujing) is a Class 1 innovative drug developed by Huisheng Biopharm, targeting the SGLT-2 receptor. After obtaining the drug registration approval by the NMPA in January 2024, it is the second domestically developed Class 1 innovative SGLT-2 receptor inhibitor to receive approval. Phase III clinical trial shows that it not only has significant glucose-lowering efficacy but also offers multiple benefits, including blood pressure reduction, weight loss, and improved lipid profiles. Additionally, it carries a low risk of hypoglycemia and has a favorable safety profile. Proline Ganagliflozin demonstrates comparable or even better results when compared to comparable SGLT-2 receptor inhibitor products already on the market.

During the period, Huisheng Biopharm has also made positive progress in the development of Semaglutide Injection for type 2 diabetes, completed phase III experiment and is in data statistical analysis; for Weight Loss, it has approved for IND within the Year, and has completed Phase III clinical trial enrollment in the first quarter of 2025. Semaglutide Injection is a long-acting GLP-1 receptor agonist administered once weekly, demonstrating superior efficacy in both glucose-lowering and weight reduction compared to the classic GLP-1 receptor agonist, Liraglutide. In 2024, the global total sales of Semaglutide (including injection and tablets) reached US$27.9 billion, representing a year-on-year increase of 38.4% compared to 2023. Among them, sales of the Semaglutide Injection for Weight Loss for hypoglycemic indication reached nearly US$20 billion, representing a year-on-year increase of over 25.4%, and sales for Weight Loss indication reached US$8.05 billion, representing a year-on-year increase of 85.7%. In 2024, the sales of Semaglutide injection (glucose-lowering) in China reached to approximately RMB5.8 billion, accounting for only a small portion of its global sales, indicating significant market potential.

Huisheng Biopharm has made arrangements in advance for both production and sales. The industrialized workshop put into operation by Huisheng Biopharm is equipped with two sets of 12,000L fermentation systems, a high-efficiency purification workshop, a preparation production workshop with an annual output of tens of millions of injections and a modern quality testing center. The designed capacity of phase II of the industrialized workshop is over 100 million units. The primary production and testing equipment within the production workshop are sourced from leading international or domestic brands. The construction standards comply with Chinese GMP standards while also taking into account EU and FDA standards, which can meet the export needs in the future for insulin raw materials and insulin preparations.

In terms of sales, Huisheng Biopharm is also rapidly advancing its layout. During the Year, Huisheng Biopharm accelerated the commercialization of its products, including Insulin Aspart Injection, Insulin Aspart 30 Injection, and Insulin Aspart 50 Injection, all of which were selected as Class A prices in the National Drug Centralized Procurement (Insulin Special renewal); diabetes complication drugs such as Mecobalamin Tablets and Calcium Dobesilate Capsules, as well as the DPP-4 inhibitor Vildagliptin Tablets, were successfully bid in provincial alliance procurement; Epalrestat Tablets, Sitagliptin Phosphate Tablets, and Sitagliptin and Metformin Tablets were selected in the 10th National Centralized Drug Procurement. Through being successfully selected in these procurements, it is expected to accelerate product access, expand product sales, increase market share, and rapidly enhance the brand awareness of Huisheng Biopharm.

Huisheng Biopharm adopts a sales model of "self-operating+distribution", to rapidly expand its product sales layout. At present, Huisheng Biopharm has a sales team of nearly 40 people and has established partnerships with nearly 30 distributors. The sales network of the Insulin Aspart Injection series products have covered 30 provinces, nearly 2,300 hospitals across the country. For other newly approved products, Huisheng Biopharm is actively advancing their commercialization and sales efforts.

In addition, Huisheng Biopharm has secured multiple product licensing agreements both domestically and internationally during the Year, including authorization for the exclusive commercialization rights for Proline Ganagliflozin tablets to Huadong Medicine in mainland area of the PRC, and exclusive commercialization rights for Semaglutide injection (Weight Loss indication) which was authorized to Meiyan Space in mainland area of the PRC. In terms of international market expansion, Huisheng Biopharm has initiated negotiations for exclusive licensing agreements for Insulin Degludec, Insulin Degludec and Insulin Aspart, and the Insulin Aspart series with renowned pharmaceutical companies in the UK, India, Brazil, Sri Lanka, and Vietnam. By the end of 2024, multiple exclusive licensing agreements had been successfully signed. The signing of these licensing agreements will facilitate the commercialization of Huisheng Biopharm's newly approved products both domestically and internationally. In addition, Huisheng Biopharm's Semaglutide API has completed FDA drug master file registration.

Huisheng Biopharm is a biopharmaceutical platform that the Group has carefully incubated for nearly ten years, targeting the huge potential diabetes and its complications market in China. In the future, with the gradual implementation of Huisheng Biopharm's product pipeline and the continuous emergence of innovative products, Huisheng Biopharm will become a leading biopharmaceutical leader in China with a full range of products in the therapeutic areas of diabetes and its complications, thus realizing a continuous amplification of its value.

2. ***Xuanzhu Biopharm: Rapidly advancing product research and development as well as registration efforts, with capital operations supporting rapid business growth and industrial development.***

Xuanzhu Biopharm is an innovative pharmaceutical subsidiary of the Group, a China biopharmaceutical company driven by innovation with a broad vision. Currently, Xuanzhu Biopharm has over 10 innovative drugs in different stages of development, covering a wide range of types, including small molecule drugs, fusion proteins, and antibody-drug conjugates (ADC), etc.. Among the drugs developed by Xuanzhu Biopharm, one self-developed innovative drug (Anaprazole Sodium Enteric-coated Tablets) has already entered commercialization, two innovative drugs (with four indications) are in pivotal clinical trials or under NDA review, four innovative drugs are in Phase I clinical trials, and four innovative drugs are in IND stage.

10+ Innovative Drugs under R&D, Focusing on Major Therapeutic Areas such as Digestive Disease, Oncology, and NASH, at least 1 Drug Candidate on average is Promoted to Clinical Trial every year, with Strong Continuous Innovation Capabilities

One innovative drug has achieved commercialization, two innovative drugs (four indications) are in pivotal trial or NDA registration-stage, four innovative drugs are in clinical phase I, and four are in IND enabling stage.

TA	Drug Name	Target	Category	Self-developed/ License-in	Commercial rights	Indications	Pre-clinical	IND	Phase I	Phase II	Phase III	NDA	Approval
Digestive	**Anaprazole Sodium (KBP-3571)** ★	PPI	Innovative small molecule drug	Self-developed	Global	**Duodenal ulcer**							
						Adult reflux esophagitis							
Oncology	**Bireociclib (XZP-3287)** ★	CDK4/6	Innovative small molecule drug	Self-developed	Global	**HR+/HER2- advanced breast cancer (+ Fulvestrant)**							
						HR+/HER2- advanced breast cancer (+AI)							
						HR+/HER2- locally advanced or metastatic breast cancer							
						HR+/HER2- adjuvant treatment of early breast cancer (+endocrine)							
	XZP-3621 ★	ALK	Innovative small molecule drug	Self-developed	Global	**1st-line treatment for ALK+ advanced NSCLC**							
						Adjuvant treatment for ALK+ NSCLC following tumor resection							
	KM602	CD80 fusion protein	Innovative biological drug	License-in	Global	Solid tumors (Melanoma, NSCLC, etc)							
	KM501	HER2/HER2-ADC	Innovative biological drug	Self-developed	Global	HER2+ and HER2- low expression solid tumors (breast cancer, gastric cancer, etc.)							
	XZP-7797	PARP1	Innovative small molecule drug	Self-developed	Global	Solid tumors (breast cancer, ovarian cancer, prostate cancer, pancreatic cancer, etc.)							
	XZP-6924	USP1	Innovative small molecule drug	Self-developed	Global	Solid tumors (breast cancer, ovarian cancer, prostate cancer, pancreatic cancer, etc.)							
	XZB-0004	AXL	Innovative small molecule drug	License-in	Greater China	Solid tumor							
						Myelodysplastic syndromes/Acute myelogenous leukemia							
	XZP-6877	DNA-PK	Innovative small molecule drug	Self-developed	Global	Solid tumors							
NASH	XZP-5610	FXR	Innovative small molecule drug	Self-developed	Global	Non-alcoholic steatohepatitis							
	XZP-6019	KHK	Innovative small molecule drug	Self-developed	Global	Non-alcoholic steatohepatitis							
Assets licensed out or transferred													
Others	Fadanafil (XZP-5849)	PDE-5	Innovative small molecule drug	Self-developed License-out	Europe, US, CA, JP, South Korea, AU, Brazil	Erectile dysfunction							
						Pulmonary arterial hypertension (PAH)							

Note 1: Statistical date: As of 28 February 2025;
Note 2: ★ Core products;
Note 3: Exemption clinical trials;
Note 4: R&D in US

During the Year, several products developed by Xuanzhu Biopharm made significant progress. Among them, Bireociclib (product code: XZP-3287), an oncology drug developed by Xuanzhu Biopharm, successfully passed the on-site registration inspection and GMP dynamic inspection, the review process by the NMPA is progressing normally. The product is a Core Product of Xuanzhu Biopharm. Currently, two indications' NDA of Bireociclib have been accepted by the NMPA, including monotherapy and in combination with Fulvestrant for the treatment of HR+/HER2- advanced breast cancer, which is a best-in-class CDK4/6 inhibitor with near-commercialization potential. If the product's commercialization application is approved, Bireociclib could become the first and only monotherapy drug targeting CDK4/6 in China. Breast cancer is the second most common cancer in the world (after lung cancer), with approximately 2.4 million new cases in 2023, of which HR+/HER2- patients account for about 75%. CDK4/6 inhibitors in combination with endocrine therapy are the standard treatment for HR+/HER2- advanced breast cancer. According to China Insights Consultancy (CIC) data, global sales of CDK4/6 inhibitors exceed USD10 billion in 2023, and sales in the PRC reached RMB2.2 billion. It is expected that by 2032, the sales of CDK4/6 inhibitors in China will reach RMB13 billion.

During the Year, NDA for XZP-3621 was accepted by the Center for Drug Evaluation (CDE) of the NMPA, it is a class 1 innovative drug developed by Xuanzhu Biopharm, for the treatment of patients with anaplastic lymphoma kinase (ALK)-positive locally advanced or metastatic non-small cell lung cancer (NSCLC). The Phase III clinical trial results demonstrated that for ALK-positive advanced NSCLC patients who previously had not received ALK inhibitor treatment, achieved a higher objective response rate ("**ORR**") compared to the ORR reported in non-head-to-head Phase III clinical trials of approved ALK inhibitors. Additionally, it can serve as a viable treatment option for patients who have developed resistance to other ALK-targeted therapies, with good safety, which is crucial for long-term treatment. Furthermore, XZP-3621 has the ability to cross the blood-brain barrier, making it effective against brain metastases of tumors. According to data from CIC, the market size of ALK inhibitor drugs for advanced NSCLC in China is expected to increase from approximately RMB4.2 billion in 2023 to approximately RMB8.7 billion in 2032. In order to further expand the clinical and commercial value of the Product, Xuanzhu Biopharm is also exploring new indications, including its use as adjuvant therapy for ALK-positive early NSCLC patients following surgery, the IND application has been accepted by the NMPA during the Year. According to data from CIC, in 2023, there were 15,800 early NSCLC patients eligible for ALK inhibitor adjuvant therapy, which is expected to reach 26,200 in 2032, representing a CAGR of 5.8% from 2023.

During the Year, XZP-6924 received IND approval from the NMPA, it is a Class 1 innovative drug independently developed by Xuanzhu Biopharm. XZP-6924 is a potent and highly selective ubiquitin-specific protease 1 (USP1) inhibitor, a potential first-in-class USP1 inhibitor that could overcome both primary and acquired resistance to PARP inhibitors. Studies have shown that inhibiting the DNA damage response (DDR) pathway can affect the replication and survival of cancer cells. Drugs targeting the DDR pathway can effectively treat various types of cancer. For example, PARP inhibitors have been approved for multiple indications in clinical settings and have shown good clinical performance. However, due to limitations of drug resistance, they are not effective for all patients. USP1 also participates in the DNA damage repair process, the combination with PARP inhibitors can have a synergistic effect on cancers with BRCA1/2 mutations. Xuanzhu Biopharm have observed that XZP-6924 shows good preclinical efficacy and safety. Currently, no USP1 inhibitors have been approved in China, with three USP1 inhibitor candidates in early clinical development. Patients eligible for USP1 inhibitors primarily include those with BRCA mutations. It is estimated that by 2032, the number of patients eligible for USP1 inhibitors will reach 398,200.

During the Year, the IND application of XZP-7797 was accepted by the NMPA and was approved for IND at the beginning of 2025, it is a Class 1 innovative drug developed by Xuanzhu Biopharm. XZP-7797 is a potent, highly selective, low blood toxicity PARP1 (poly ADP-ribose polymerase 1) inhibitor that can reach brain lesions. The first-generation PARP1/2 inhibitors have been approved for the treatment of various cancers with Breast Cancer Susceptibility Gene ("**BRCA**") mutations, including ovarian cancer, prostate cancer, pancreatic cancer, and breast cancer. However, PARP1/2 inhibitors have caused significant hematological toxicity in clinical applications. Research data indicates that the synthetic lethality in cancers with BRCA mutations is mainly due to the inhibition of PARP1, while the hematological toxicity mainly due to the inhibition of PARP2. Therefore, as a highly selective PARP1 inhibitor, XZP-7797 is expected to maintain therapeutic efficacy while reducing hematological adverse reactions associated with PARP2 inhibition. Additionally, statistical analysis shows that approximately 20% of patients with advanced cancer experience brain metastases, and about 44.7% of patients with recurrent metastatic breast cancer carrying BRCA1 mutations are diagnosed with brain metastases. However, most first-generation PARP inhibitors cannot cross the blood-brain barrier, thereby restricting their control over brain lesions. XZP-7797, with its ability to reach brain lesions, demonstrates an advantage over most first-generation PARP inhibitors.

In terms of commercialization, 2024 marked the first year of Anjiuwei (Anaprazole Sodium Enteric-coated Tablets) being included in the National Reimbursement Drug List (NRDL). During the period, Xuanzhu Biopharm accelerated the commercialization process for Anjiuwei. By the end of 2024, Xuanzhu Biopharm had established a commercialization sales team focused on the digestive system field. The company collaborated with over 80 distributors, rapidly cover more than 1,000 hospitals. Xuanzhu Biopharm was able to promote product sales, accelerate market access, and increase market share. Currently, Xuanzhu Biopharm continues to focus on expanding its sales network and establishing strategic partnerships. By prioritizing the establishment of a strong distribution network, Xuanzhu Biopharm will boost sales of post product commercialization. This will enable Xuanzhu Biopharm to optimise the allocation of resources and promote market penetration, which is crucial for Xuanzhu Biopharm's sustainable development as more products enter the market.

Additionally, Xuanzhu Biopharm has entered into an exclusive development and commercialization licensing agreement with Livzon Pharmaceutical for its self-developed Class 1 innovative drug Fadanafil (product code: XZP-5849) in Greater China and other targeted territories. Fadanafil is a highly selective phosphodiesterase-5 (PDE5) inhibitor independently developed by Xuanzhu Biopharm, which held independent intellectual property rights and global rights to the drug.

In terms of capitalization efforts, in November, the Group announced its proposal to spin off Xuanzhu Biopharm and list its H shares independently on the Main Board of the The Stock Exchange of Hong Kong Limited ("**Stock Exchange**"). The Stock Exchange has confirmed that the Company may proceed with the proposed spin-off. The Group believes that the proposed spin-off will enable Xuanzhu Biopharm as an independent innovative drug R&D and industrialization platform company, to directly access debt and equity capital markets, which will enhance Xuanzhu Biopharm's financial flexibility and strengthen its ability to raise external funds, thereby supporting the rapid growth and industrial development of its business. On 25 November 2024, Xuanzhu Biopharm formally submitted its listing application to the Hong Kong Stock Exchange.

In light of the then objective conditions in the Hong Kong stock market for pharmaceutical companies, and in order to encourage and express gratitude to the investors and Shareholders for their steadfast support and continued trust to the Company during this challenging market period, while ensuring fair treatment of the previous investors of Xuanzhu Biopharm, the board of directors of the Group and the board of directors of Xuanzhu Biopharm have jointly discussed and unanimously resolved to appropriately adjust the initial valuation of the investments made by previous investors in Xuanzhu Biopharm. Such adjustment will be made through the gratuitous transfer and reallocation of 29,791,162 shares of Xuanzhu Biopharm, thereby reducing the effective investment price of Xuanzhu Biopharm for these previous investors. Xuanzhu Biopharm and its controlling shareholder will enter into share compensation and transfer agreements with the previous investors during the Year. At the same time, in order to promote the future development of Xuanzhu Biopharm and further motivate the management and core cadres of Xuanzhu Biopharm, as well as to introduce new international pharmaceutical management talents to continuously improve the R&D speed and internationalization of Xuanzhu Biopharm, Xuanzhu Biopharm has resolved to increase the shareholding ratio of the employee incentive scheme by another 8%.

In the future, Xuanzhu Biopharm will continue to promote product R&D and registration. At the same time, by continuously expanding and optimizing its internal marketing team and establishing in-depth collaborations with established external distributors, to achieve rapid market entry for new products. Additionally, Xuanzhu Biopharm will continue to promote the capitalization operations for the spin-off and listing, further supporting the rapid growth and industrial development of its business. At present, Xuanzhu Biopharm has become a Biotech unicorn with commercialized products, and will continue to move towards its development goals as "an innovation-driven biopharmaceutical company in China with a broad vision, leveraging its deep understanding of China's pharmaceutical industry and profound insights of its unique clinical needs.

(III) Progress of the generic drug segment: being affected by the dynamic adjustment of industry policies, the current operating metrics are undergoing a phased adjustment; with the sequential completion of the review and approval processes for multiple product pipelines, a solid foundation is being laid for the transformation of medium- to long-term growth drivers

The generic drug business, serving as the Company's "cash cow", has consistently provided the Group with long-term and stable cash flow supporting the Group in achieving its innovative transformation and upgrading toward "medical aesthetics + innovative drugs". However, due to the impact of centralized procurement price reductions and the inclusion in key monitoring catalogs of some generic drugs, the revenue from the generic drug business has undergone a phased adjustment. Nevertheless, as multiple products within this business segment gradually scaled up and new products continued to commercialize, a solid foundation will be laid for the transformation of medium- to long-term growth drivers in the generic drug business.

During the Year, the generic medicine segment achieved revenue of approximately RMB1,099.3 million, representing a year-on-year decrease of approximately 21.4%. The segment results achieved profit of approximately RMB356.5 million, representing a year-on-year decrease of approximately 36.8%.

The Group's generic medicine business has a rich product pipeline, including nearly 100 marketed generic drug products and approximately 30 generic drug products currently under research and development. Also, the Group has strong registration ability and can quickly achieve product registration and marketing. During the period, the Group's generic drug business made multiple progress, more than 10 generic drugs obtaining drug registration approvals by the NMPA, including: Rivaroxaban Tablets (2.5mg), Ticagrelor Orodispersible Tablets, Terbutaline Sulfate Injection, and Aprepitant Capsules, etc.. Additionally, 11 APIs passed the technical evaluation carried out by the CDE of the PRC, while the result of their joint evaluation with preparations was "A".

The Group believes that leveraging the comprehensive, professional, and efficient academic marketing platform it has built over the past 20 years, as well as 100% coverage in first-tier and new first-tier cities, the Group will rapidly commercialize these newly approved products. This will further support the recovery and subsequent stable growth of the Group's generic drug business revenue in the future.

At the same time, the Group will continue to advance and expedite the spin-off and divestment of certain generic drug products, as well as other non-core traditional pharmaceutical or healthcare-related businesses and assets that have not met operational expectations or do not align with long-term strategic development goals, balancing the development and stability of the generic drug business as a cash cow. The Group believes that by focusing on the development of new businesses in medical aesthetics and biopharmaceutical with high growth potential, while taking into account the stable development of the "cash cow" business, and always adhering to the people-oriented, continuously cultivating a more diversified and international talents for the enterprise's innovation, transformation, upgrading and development, the Group's strategic goals of innovative transformation and high-quality development will undoubtedly be achieved.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2024

	Notes	**2024** ***RMB'000***	2023 *RMB'000*
Revenue	3	**1,901,109**	1,860,539
Cost of sales		**(659,399)**	(564,895)
GROSS PROFIT		**1,241,710**	1,295,644
Other income	3	**248,034**	197,735
Other gains – net	3	**123,732**	216,148
Distribution expenses		**(430,055)**	(442,257)
Administrative expenses		**(745,429)**	(468,958)
Research and development expenses		**(473,925)**	(577,656)
Other expenses		**(102,198)**	(58,958)
OPERATING (LOSS)/PROFIT		**(138,131)**	161,698
Finance expenses	5	**(274,931)**	(269,337)
Share of profits and losses of investments accounted for using the equity method		**(15,226)**	(53,621)
LOSS BEFORE TAX	4	**(428,288)**	(161,260)
Income tax expense	6	**(43,261)**	(96,427)
LOSS FOR THE YEAR		**(471,549)**	(257,687)
Attributable to:			
Owners of the Company		**(216,662)**	(54,017)
Non-controlling interests		**(254,887)**	(203,670)
		(471,549)	(257,687)

	Notes	2024 *RMB'000*	2023 *RMB'000*
LOSS FOR THE YEAR		**(471,549)**	(257,687)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**–**	–
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(471,549)**	(257,687)
Attributable to:			
Owners of the Company		**(216,662)**	(54,017)
Non-controlling interests		**(254,887)**	(203,670)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(471,549)**	(257,687)
		RMB	*RMB*
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic and diluted loss per share			
For loss for the year		**(2.34) cents**	(0.58) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2024

	Notes	31 December 2024 **RMB'000**	2023 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**2,007,453**	2,174,591
Investment properties		**255,132**	245,930
Right-of-use assets		**627,357**	667,438
Goodwill		**1,853**	1,853
Intangible assets	9	**841,729**	775,962
Investments accounted for using the equity method	10	**647,591**	649,619
Financial assets at fair value through profit or loss	11	**170,451**	354,275
Other non-current assets		**130,252**	331,481
Deferred tax assets		**32,129**	31,770
Time deposits		**100,000**	–
Pledged deposits		**7**	98,756
Total non-current assets		**4,813,954**	5,331,675
CURRENT ASSETS			
Inventories		**417,000**	557,323
Trade and other receivables	12	**1,424,186**	1,134,750
Financial assets at fair value through profit or loss	11	**110,578**	589,016
Cash and cash equivalents		**3,522,383**	3,778,666
Time deposits		**144,000**	130,000
Pledged deposits		**99,416**	14,000
Total current assets		**5,717,563**	6,203,755
CURRENT LIABILITIES			
Trade and other payables	15	**1,687,878**	1,710,825
Interest-bearing bank borrowings	16	**137,037**	269,680
Contract liabilities		**101,337**	131,785
Income tax payable		**63,968**	44,205
Lease liabilities		**11,380**	12,385
Other current liabilities	14	**1,308,816**	1,937,922
Total current liabilities		**3,310,416**	4,106,802
NET CURRENT ASSETS		**2,407,147**	2,096,953
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,221,101**	7,428,628

	Notes	31 December 2024 RMB'000	2023 RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**5,261**	70,323
Interest-bearing bank borrowings	16	**704,747**	864,142
Lease liabilities		**12,505**	30,276
Contract liabilities		**202,651**	44,190
Other non-current liabilities	14	**1,346,633**	1,282,673
Total non-current liabilities		**2,271,797**	2,291,604
Net assets		**4,949,304**	5,137,024
EQUITY			
Equity attributable to owners of the Company			
Share capital	13	**77,058**	77,058
Treasury shares	13	**(54,109)**	(33,811)
Share premium	13	**3,882,304**	3,882,304
Reserves		**(31,419)**	(439,765)
Retained earnings		**498,424**	946,344
		4,372,258	4,432,130
Non-controlling interests		**577,046**	704,894
Total equity		**4,949,304**	5,137,024

1. BASIS OF PREPARATION

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

Changes in accounting policies and disclosures

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

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

The nature and the impact of the revised IFRS Accounting Standards are described below:

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

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

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

(c) Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

As a result of the implementation of the amendments, the Group has provided additional disclosures about its supplier finance arrangements in note 15 to the financial statements.

2. 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 devices, body sculpturing, skin care and other services 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. The adjusted profit/loss before tax is measured consistently with the Group's loss before tax 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.

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

Year ended 31 December 2024

	Medical aesthetic products *RMB'000*	Innovative medicine and other medicine *RMB'000*	Generic medicine *RMB'000*	Total *RMB'000*
Segment revenue *(note 3)*				
Sales to external customers	**744,224**	**57,597**	**1,099,288**	**1,901,109**
Intersegment sales	**–**	**52,075**	**–**	**52,075**
	744,224	**109,672**	**1,099,288**	**1,953,184**
Reconciliation:				
Elimination of intersegment sales				**(52,075)**
Revenue				**1,901,109**
Segment results	**251,021**	**(948,048)**	**356,538**	**(340,489)**
Reconciliation:				
Unallocated other income				**52,805**
Unallocated other gains – net				**6,119**
Unallocated expenses				**(98,017)**
Unallocated finance expenses				**(33,480)**
Share of profits and losses of investments accounted for using the equity method				**(15,226)**
Loss before tax				**(428,288)**

Year ended 31 December 2023

	Medical aesthetic products *RMB'000*	Innovative medicine and other medicine *RMB'000*	Generic medicine *RMB'000*	Total *RMB'000*
Segment revenue *(note 3)*				
Sales to external customers	449,884	11,807	1,398,848	1,860,539
Intersegment sales	25	24,966	–	24,991
	449,909	36,773	1,398,848	1,885,530
Reconciliation:				
Elimination of intersegment sales				(24,991)
Revenue				1,860,539
Segment results	91,763	(676,062)	564,300	(19,999)
Reconciliation:				
Unallocated other income				43,483
Unallocated other gains – net				3,140
Unallocated expenses				(100,030)
Unallocated finance expenses				(34,233)
Share of profits and losses of investments accounted for using the equity method				(53,621)
Loss before tax				(161,260)

Geographical information

(a) Revenue from external customers

	2024 ***RMB'000***	2023 *RMB'000*
Geographical markets		
Mainland China	**1,888,547**	1,846,751
United States of America	**12,562**	13,788
	1,901,109	1,860,539

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

(b) Non-current assets

	2024 *RMB'000*	2023 *RMB'000*
Geographical markets		
Mainland China	**4,373,959**	4,516,383
United States of America	**12,589**	10,958
	4,386,548	4,527,341

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

During the year ended 31 December 2024, 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 (2023: Nil).

3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2024 *RMB'000*	2023 *RMB'000*
Revenue from contracts with customers	**1,901,109**	1,860,539

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended 31 December 2024

	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	**744,224**	**57,597**	**1,099,288**	**1,901,109**
Geographical markets				
Mainland China	**731,662**	**57,597**	**1,099,288**	**1,888,547**
United States of America	**12,562**	**–**	**–**	**12,562**
Total	**744,224**	**57,597**	**1,099,288**	**1,901,109**
Timing of revenue recognition				
Goods transferred at a point in time	**744,224**	**57,597**	**1,099,288**	**1,901,109**

For the year ended 31 December 2023

	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	449,884	11,807	1,398,848	1,860,539
Geographical markets				
Mainland China	436,096	11,807	1,398,848	1,846,751
United States of America	13,788	–	–	13,788
Total	449,884	11,807	1,398,848	1,860,539
Timing of revenue recognition				
Goods transferred at a point in time	449,884	11,807	1,398,848	1,860,539

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

For the year ended 31 December 2024

	Medical aesthetic products ***RMB'000***	**Innovative medicine and other medicine** ***RMB'000***	**Generic medicine** ***RMB'000***	**Total** ***RMB'000***
Segments				
Sales to external customers	**744,224**	**57,597**	**1,099,288**	**1,901,109**
Intersegment sales	**–**	**52,075**	**–**	**52,075**
	744,224	**109,672**	**1,099,288**	**1,953,184**
Reconciliation:				
Elimination of intersegment sales				**(52,075)**
Total				**1,901,109**

For the year ended 31 December 2023

	Medical aesthetic products *RMB'000*	Innovative medicine and other medicine *RMB'000*	Generic medicine *RMB'000*	Total *RMB'000*
Segments				
Sales to external customers	449,884	11,807	1,398,848	1,860,539
Intersegment sales	25	24,966	–	24,991
	449,909	36,773	1,398,848	1,885,530
Reconciliation:				
Elimination of intersegment sales				(24,991)
Total				1,860,539

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:

	2024 ***RMB'000***	2023 *RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the year:		
Sale of pharmaceutical products and medical aesthetic products	**118,615**	161,180

(b) Performance obligations

Sales of pharmaceutical products and medical aesthetic products

The performance obligation is satisfied upon acceptance of the pharmaceutical products and medical aesthetic products by customers 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

		2024	2023
		RMB'000	*RMB'000*
Interest income		**175,548**	147,908
Gross rental income from investment property operating leases	(i)	**9,933**	10,663
Hospital services income		**34,995**	29,023
Sales of distribution rights	(ii)	**8,443**	2,830
Research and development income	(iii)	**5,379**	1,482
Others		**13,736**	5,829
Total other income		**248,034**	197,735

(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:

	2024	2023
	RMB'000	*RMB'000*
Geographical markets		
Hong Kong	**4,839**	3,207
Mainland China	**5,094**	7,456
Total	**9,933**	10,663

(ii) Revenue from sales 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 sales 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. Distribution rights are sold for periods of five years. The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2024	2023
	RMB'000	*RMB'000*
Amounts expected to be recognised as other income:		
Within one year	**2,830**	13,170
After one year	**–**	44,190
Total	**2,830**	57,360

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:

	2024	2023
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of distribution rights	**8,443**	2,830

(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 activities 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

	2024	2023
	RMB'000	*RMB'000*
Government grants (i)	**48,002**	60,700
Gain on disposal of an associate	**35,000**	–
Gain on deemed disposal of interest in associates	**13,198**	21,251
Gain on disposal of an investment property	**10,930**	–
Gain on changes in fair value of wealth management products, at fair value	**2,284**	2,659
Gain on changes in fair value of an unlisted equity investment at fair value	**1,010**	129,106
Gain on disposal of property, plant and equipment	**1,268**	4,378
Gain on disposal of right-of-use asset	**400**	3,695
Others	**–**	1,118
Exchange gains/(losses), net	**11,640**	(6,759)
Total gains	**123,732**	216,148

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

4. LOSS BEFORE TAX

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

	Notes	**2024** ***RMB'000***	2023 *RMB'000*
Employee benefit expenses(including directors' and chief executive's remuneration)			
Wages and salaries		**411,923**	488,399
Pension scheme contributions	(i)	**72,365**	90,079
Welfares		**10,210**	13,519
Share-based payments		**418,020**	89,084
		912,518	681,081
Cost of inventories sold	(ii)	**659,399**	564,895
Research and development expenses	(ii)	**473,925**	577,656
Depreciation of property, plant and equipment	(ii)/(iii)	**29,044**	22,474
Depreciation of investment properties		**11,863**	9,323
Depreciation of right-of-use assets	(ii)/(iii)	**28,256**	31,125
Amortisation of intangible assets	(ii)/(iii)	**15,832**	16,813
Gain on disposal of property, plant and equipment		**(1,268)**	(4,378)
Gain on disposal of right-of-use asset		**(400)**	(3,695)
Loss on disposal of intangible assets		**7,374**	139
Gain on disposal of an investment property		**(10,930)**	–
Impairment losses/(reversal of impairment) of trade and other receivables	12	**6,347**	(7,953)
Write-down of inventories to net realisable value		**9,541**	11,419
Lease payments not included in the measurement of lease liabilities		**3,054**	4,506
Exchange (gains)/losses, net		**(11,640)**	6,759
Auditor's remuneration		**4,000**	4,200
Bank charges		**1,350**	1,051

(i) There are no forfeited contributions at 31 December 2024 (2023: Nil) that may be used by the Group as the employer is to reduce the existing level of contributions in the future years.

(ii) The depreciation/amortisation of property, plant and equipment, right-of-use assets and intangible assets for manufacturing and research activities for the years ended 31 December 2024 and 2023 are included in "Cost of inventories sold" and "R&D expenses".

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

	2024	2023
	RMB'000	*RMB'000*
Included in:		
Distribution expenses	**543**	612
Administrative expenses	**72,589**	69,800

5. FINANCE EXPENSES

An analysis of finance expenses is as follows:

	2024	2023
	RMB'000	*RMB'000*
Interest expenses on:		
Interest-bearing bank borrowings *(note 16)*	**46,152**	57,415
Redemption liabilities on subsidiaries' shares *(note 14)*	**228,750**	211,266
Lease liabilities	**1,544**	2,573
Total interest expense on financial liabilities not at fair value through profit or loss	**276,446**	271,254
Less: Interest capitalised	**(1,515)**	(1,917)
Total	**274,931**	269,337

6. INCOME TAX EXPENSE

The income tax expense of the Group for the years ended 31 December 2024 and 2023 is analysed as follows:

	2024	2023
	RMB'000	*RMB'000*
Current tax	**108,682**	60,140
Deferred tax	**(65,421)**	36,287
Total tax charge for the year	**43,261**	96,427

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

	2024	2023
	RMB'000	*RMB'000*
Loss before tax	**(428,288)**	(161,260)
Tax at the statutory tax rates	**(100,742)**	(35,323)
Tax effects of:		
– Utilisation of previously unrecognised tax losses	**(18,357)**	(3,055)
– Effect of tax concessions and exemptions	**(19,396)**	(46,332)
– Additional deductible allowance for qualified R&D expenses	**(74,874)**	(125,829)
– Expenses not deductible for tax purposes	**111,102**	13,846
– Adjustments recognised in the period for current tax of prior periods	**(7,537)**	(7,644)
– Profits and losses attributable to joint ventures and associates	**507**	8,092
– Income not subject to tax	**(20,391)**	(33,474)
– Tax losses for which no deferred income tax asset was recognised	**236,949**	326,146
– Reverse effect of withholding tax at 5% on the dividends cancelled by the Group's PRC subsidiaries	**(64,000)**	–
Total tax charge for the year	**43,261**	96,427

Bermuda profits tax

The Group was not subject to any taxation in this jurisdiction during the year (2023: Nil).

British Virgin Islands ("BVI") profits tax

The Group's entities established under the International Business Companies Acts of BVI are exempted from BVI income tax (2023: Nil).

Cayman Islands profits tax

Subsidiaries incorporated as exempted companies with limited liability under the Companies Act of the Cayman Islands are not subject to tax on income or capital gains. Additionally, the Cayman Islands do not impose a withholding tax on payments of dividends to shareholders. The Cayman Islands are not a party to any double tax treaties that are applicable to any payments made by or to the entities (2023: Nil).

Macau profits tax

The subsidiary incorporated in Macau is subject to Macau profits tax on the taxable income in accordance with relevant Macau tax laws. Taxation for overseas jurisdictions is charged at the appropriate prevailing rates ruling in the respective jurisdictions and the maximum rate is 12%.

United States of America profits tax

Pursuant to Tax Cuts and Jobs Act ("**TCJA**") enacted on 22 December 2017, the United States federal statutory income tax rate for the subsidiaries are 21.0%. 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 was provided at the rate of 16.5% (2023: 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 2024 and 2023 was provided at the rate of 15%.

7. DIVIDENDS

The dividends paid in 2024 and 2023 were RMB177,080,000 and RMB298,560,000, respectively. The board of directors does not recommend the payment of the final cash dividend for the year ended 31 December 2024.

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

	2024	2023
	RMB'000	*RMB'000*
Final 2023 dividend of nil (2023: Final dividend for 2022 of RMB3.2 cents) per ordinary share	**–**	298,560
Interim cash dividend for 2024: RMB1.9 cents (2023: nil) per ordinary share	**177,080**	–
	177,080	298,560

8. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year attributable to ordinary equity holders of the Company of RMB216,662,000 (2023: RMB54,017,000), and the weighted average number of ordinary shares of 9,265,984,000 (2023: 9,297,073,000) outstanding during the year.

The calculation of the diluted loss per share is based on the loss for the year attributable to ordinary equity holders of the Company, as used in the basic loss per share calculation. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares outstanding during the year, as used in the basic loss 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 per share are based on:

	2024	2023
	RMB'000	*RMB'000*
Loss		
Loss attributable to ordinary equity holders of the Company, used in the basic and diluted loss per share calculation	**(216,662)**	(54,017)
Loss attributable to ordinary equity holders of the Company	**(216,662)**	(54,017)

	2024	2023
	Shares '000	*Shares '000*
Shares		
Weighted average number of ordinary shares outstanding for basic and diluted loss per share	**9,265,984**	9,297,073

* The weighted average number of shares was after taking into account the effect of treasury shares held.

** For the year ended 31 December 2024, the calculation of diluted loss per share has not considered share options under the share option scheme of the Company as the inclusion would be anti-dilutive.

	2024	2023
	RMB	*RMB*
Basic and diluted loss per share		
For loss for the year	**(2.34) cents**	(0.58) cents

9. 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*
31 December 2024					
At 1 January 2024:					
Cost	**877,962**	**1,609,246**	**86,758**	**433,932**	**3,007,898**
Accumulated amortisation	**–**	**(626,790)**	**(41,502)**	**(433,932)**	**(1,102,224)**
Impairment	**(258,839)**	**(862,014)**	**(8,859)**	**–**	**(1,129,712)**
Net carrying amount	**619,123**	**120,442**	**36,397**	**–**	**775,962**
Cost at 1 January 2024, net of accumulated amortisation and impairment	**619,123**	**120,442**	**36,397**	**–**	**775,962**
Additions	**114,358**	**–**	**1,312**	**–**	**115,670**
Disposals	**(13,743)**	**–**	**(235)**	**–**	**(13,978)**
Amortisation charge	**–**	**(30,091)**	**(5,834)**	**–**	**(35,925)**
Transfer from product development in progress	**(152,618)**	**152,618**	**–**	**–**	**–**
Net carrying amount	**567,120**	**242,969**	**31,640**	**–**	**841,729**
At 31 December 2024					
Cost	**825,959**	**1,761,864**	**87,835**	**433,932**	**3,109,590**
Accumulated amortisation	**–**	**(656,881)**	**(47,336)**	**(433,932)**	**(1,138,149)**
Impairment	**(258,839)**	**(862,014)**	**(8,859)**	**–**	**(1,129,712)**
Net carrying amount	**567,120**	**242,969**	**31,640**	**–**	**841,729**

	Product development in progress *RMB'000*	Deferred development costs *RMB'000*	Trademark and software *RMB'000*	Customer relationships *RMB'000*	Total *RMB'000*
31 December 2023					
At 1 January 2023:					
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
Cost at 1 January 2023, net of accumulated amortisation and impairment	552,318	32,358	41,786	–	626,462
Additions	151,163	18,080	829	–	170,072
Disposal	–	–	(175)	–	(175)
Amortisation charge	–	(14,354)	(5,984)	–	(20,338)
Transfer from product development in progress	(84,358)	84,358	–	–	–
Disposal of a subsidiary	–	–	(59)	–	(59)
Net carrying amount	619,123	120,442	36,397	–	775,962
At 31 December 2023					
Cost	877,962	1,609,246	86,758	433,932	3,007,898
Accumulated amortisation	–	(626,790)	(41,502)	(433,932)	(1,102,224)
Impairment	(258,839)	(862,014)	(8,859)	–	(1,129,712)
Net carrying amount	619,123	120,442	36,397	–	775,962

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2024 ***RMB'000***	2023 *RMB'000*
Share of net assets	**572,408**	573,721
Goodwill on acquisition	**464,494**	465,209
	1,036,902	1,038,930
Provision for impairment	**(389,311)**	(389,311)
Total	**647,591**	649,619

The Group's trade receivable balances related to associates and joint ventures are disclosed in note 12 to the financial statements.

The associates and joint ventures are private companies and there are no quoted market prices available for their shares. There are no contingent liabilities relating to the Group's interests in the associates and joint ventures.

The Group's shareholdings in the associates and joint ventures all comprise equity shares held by wholly-owned subsidiaries of the Company, except for the shareholdings in two entities 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

	Associates and Joint Ventures	
	2024	2023
	RMB'000	*RMB'000*
Current		
Assets	**1,229,896**	1,271,874
Liabilities	**(1,142,648)**	(1,264,362)
Total net current assets	**87,248**	7,512
Non-current		
Assets	**1,746,641**	1,710,300
Liabilities	**(380,023)**	(518,640)
Total net non-current assets	**1,366,618**	1,191,660
Non-controlling interests	**(58,518)**	(59,116)
Net assets	**1,395,348**	1,140,056

Summarised statements of profit or loss

	Associates and Joint Ventures	
	2024	2023
	RMB'000	*RMB'000*
Revenue	**468,439**	371,247
Loss before income tax	**(69,242)**	(157,262)
Income tax expense	**(1,118)**	(578)
Loss for the year	**(70,360)**	(157,840)
Total comprehensive loss	**(70,360)**	(157,840)
Attributable to:		
Owners of the Company	**(71,807)**	(156,925)
Non-controlling interests	**1,447**	(915)

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	
	2024	2023
	RMB'000	*RMB'000*
Opening net assets 1 January	**1,140,056**	1,189,741
Capital injection by shareholders	**58,000**	107,618
Loss for the year	**(71,807)**	(156,925)
Dividends	**–**	(378)
Derecognition of associates	**269,099**	–
Closing net assets	**1,395,348**	1,140,056
Interest in associates and joint ventures	**572,408**	573,721
Goodwill	**464,494**	465,209
Impairment	**(389,311)**	(389,311)
Carrying value	**647,591**	649,619

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	Notes	**2024** ***RMB'000***	2023 *RMB'000*
Non-current			
Financial assets at fair value through profit or loss:			
Unlisted equity investments, at fair value	(i)	**170,451**	354,275
Total non-current		**170,451**	354,275
Current			
Financial assets at fair value through profit or loss:			
Wealth management products	(ii)	**110,578**	589,016
Total current		**110,578**	589,016
Total other financial assets		**281,029**	943,291

(i) The above equity investments at 31 December 2024 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. 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.

12. TRADE AND OTHER RECEIVABLES

	Notes	**2024** ***RMB'000***	2023 *RMB'000*
Trade receivables – third parties	(i)	**561,940**	393,211
Notes receivable	(ii)	**94,283**	60,256
Loans to associates	(iii)	**277,250**	243,525
Loans to third parties	(iii)	**130,900**	141,475
Prepayments to suppliers		**118,902**	89,611
Amounts due from other related party		**9,600**	9,600
Amount due from a joint venture		**1,193**	4,478
Amount due from an associate		**224**	224
Dividends receivable		**40,912**	40,912
Receivable from disposal of subsidiaries		**82,517**	82,517
Other receivables	(iv)	**195,482**	152,902
		1,513,203	1,218,711
Provision of impairment on trade receivables		**(62,296)**	(55,650)
Provision of impairment on other receivables		**(26,721)**	(28,311)
Total		**1,424,186**	1,134,750

(i) Trade receivables – third parties

	2024 ***RMB'000***	2023 *RMB'000*
Trade receivables	**561,940**	393,211
Provision for impairment	**(62,296)**	(55,650)
Net carrying amount	**499,644**	337,561

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:

	2024	2023
	RMB'000	*RMB'000*
Within 3 months	**406,326**	177,132
3 to 6 months	**30,268**	81,272
6 months to 1 year	**47,980**	20,581
More than 1 year	**15,070**	58,576
Total	**499,644**	337,561

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

	2024	2023
	RMB'000	*RMB'000*
At beginning of year	**55,650**	63,848
Impairment, net	**6,646**	(8,198)
At end of year	**62,296**	55,650

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 2024

	Ageing of trade receivables				
	Less than 1 year	**1 to 2 years**	**2 to 3 years**	**Over 3 years**	**Total**
Expected credit loss rate	**2.29%**	**25.14%**	**90.86%**	**100.00%**	
Gross carrying amount *(RMB'000)*	**495,931**	**17,599**	**20,738**	**27,672**	**561,940**
Expected credit losses *(RMB'000)*	**11,357**	**4,424**	**18,843**	**27,672**	**62,296**

As at 31 December 2023

	Ageing of trade receivables				
	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	2.84%	26.49%	71.64%	100.00%	
Gross carrying amount *(RMB'000)*	287,146	73,653	15,613	16,799	393,211
Expected credit losses *(RMB'000)*	8,155	19,511	11,185	16,799	55,650

(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 dates. 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 2024 and 2023.

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.

Transferred financial assets that are derecognised in their entirety

At 31 December 2024, the Group endorsed certain notes receivable accepted by banks in Mainland China (the "**derecognised notes**") to certain of its suppliers and banks in order to settle the trade payables with a carrying amount in aggregate of RMB35,697,000. The derecognised notes had a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the derecognised notes may exercise the right of recourse against any, several or all of the persons liable for the derecognised notes, including the Group, in disregard of the order of precedence (the "**Continuing Involvement**"). In the opinion of the directors, the risk of the Group being claimed by the holders of the derecognised notes is remote in the absence of a default of the accepted banks. The Group has transferred substantially all risks and rewards relating to the derecognised notes. Accordingly, it has derecognised the full carrying amounts of the derecognised notes and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised notes and the undiscounted cash flows to repurchase these derecognised notes is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the derecognised notes are not significant.

During the year ended 31 December 2024, the Group recognised loss amounting to RMB7,000 on the date of transfer of the derecognised notes. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsements were evenly throughout the year.

(iii) 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 and third parties shown above had no recent history of default and past due amounts. As at 31 December 2024 and 2023, 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 RMB26,721,000 (31 December 2023: RMB28,311,000) in accordance with IFRS 9 as at 31 December 2024.

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

	2024	2023
	RMB'000	*RMB'000*
At beginning of year	**28,311**	28,066
Impairment, net	**(299)**	245
Amount written off as uncollectible	**(1,291)**	–
At end of year	**26,721**	28,311

13. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

	Number of authorised ordinary shares	**Number of issued and fully paid ordinary shares**	**Share capital**	**Share premium**	**Total**
	Share'000	*Share'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2023 and 31 December 2023 and at 31 December 2024 (HK$0.01 per share)	100,000,000	9,329,999	77,058	3,882,304	3,959,362

(i) During the year, the Group repurchased 17,500,000 of its own shares on the Stock Exchange at a total consideration, including expenses, of HK$9,899,000 (equivalent to RMB9,001,000) for the 2022 Share Award Scheme adopted in October 2022. As at 31 December 2024, these repurchased shares were not granted.

(ii) During the year, the Group repurchased 20,000,000 of its own shares on the Stock Exchange at a total consideration, including expenses, of HK$12,367,000 (equivalent to RMB11,297,000) and these shares were held as treasury shares. As at 31 December 2024, these repurchased shares were not cancelled.

As at 31 December 2024, the Group had 85,933,000 (2023: 48,433,000) purchased shares classified as treasury shares held for the share option scheme and for subsequent sale or transfer.

14. OTHER LIABILITIES

	Notes	**2024** ***RMB'000***	2023 *RMB'000*
Deferred government grants	(i)	**119,346**	130,356
Other borrowings	(ii)	**41,543**	40,889
Sale and leaseback	(iii)	**35,553**	33,823
Others	(iv)	**2,459,007**	3,015,527
Total		**2,655,449**	3,220,595

(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. RMB8,686,000 of the total deferred amount was classified as current liabilities as at 31 December 2024 (31 December 2023: RMB11,264,000).

(ii) Other borrowings consist of borrowings amounting to RMB32,254,000 (31 December 2023: Nil) from third parties, which are interest-bearing, unsecured and repayable in one year, borrowings amounting to RMB8,289,000 (31 December 2023: RMB39,889,000) from a non-controlling shareholder of a Group's subsidiary, which are interest-bearing, unsecured and repayable in five to seven years, and a borrowing amounting to RMB1,000,000 (31 December 2023: RMB1,000,000) from a third party, which is interest-bearing, unsecured and repayable in seven years. As at 31 December 2024, RMB32,254,000 (31 December 2023: nil) of the total amount was classified as current liabilities.

Certain financial liabilities that are part of the supplier finance arrangements were included in other current liabilities. Details of the supplier finance arrangements are included in note 15 to the financial statements.

(iii) Sale and leaseback represents long-term payable to a third party which was secured by mortgage over the sale and leaseback equipment with an aggregate carrying value of RMB42,361,000. There was RMB2,683,000 classified as current liabilities as at 31 December 2024 (31 December 2023: RMB12,115,000). No gain or loss was recognized on the sale and leaseback transaction.

(iv) Others represent the redemption liabilities in relation to the investments in subsidiaries' shares by third party investors. Of the total outstanding liabilities, RMB1,265,193,000 was classified as current liabilities as at 31 December 2024. Pursuant to the agreements with non-controlling shareholders, capital contribution and related shares being transferred shall be redeemed 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 amounts.

15. TRADE AND OTHER PAYABLES

	Notes	2024 RMB'000	2023 RMB'000
Trade payables	(i)	**241,933**	215,150
Deposit payables		**284,840**	359,872
Accrued reimbursement to distributors		**333,920**	336,784
Payable for acquisition of a subsidiary		**300,000**	300,000
Other payables		**225,085**	181,506
Costs of construction and purchase of equipment payables		**109,126**	142,757
Salaries payable		**65,482**	80,584
Payable for research and development expenses		**78,047**	76,113
Interest payable		**12,613**	11,439
Notes payable		**31,244**	5,462
Amounts due to associates		**1,234**	800
Dividends payable		**4,354**	358
Total		**1,687,878**	1,710,825

(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:

	2024 RMB'000	2023 RMB'000
Within 6 months	**138,888**	192,203
6 months to 1 year	**91,983**	7,069
More than 1 year	**11,062**	15,878
Total	**241,933**	215,150

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

The financial liabilities that are part of the Group's supplier finance arrangements included in other current liabilities are normally settled on 1-year terms.

The Group has established supplier finance arrangements that are offered to some of the Group's key suppliers in Mainland China. Participation in the arrangements is at the suppliers' own discretion. In order for the finance provider to pay the invoices, the goods must have been received or supplied and the invoices must have been approved by the Group. Payments to suppliers ahead of or at the invoice due date are processed by the finance provider and, in all cases, the Group settles the original invoice by paying the finance provider in line with the original invoice maturity date or at a later date as agreed with the finance provider. Payment terms with suppliers have not been renegotiated in conjunction with the arrangements. The Group provides no security to the finance provider.

All financial liabilities that are part of the supplier finance arrangements are included in other current liabilities in the statement of financial position and within the current portion of other borrowings.

	31 December 2024	**31 December 2023**	**1 January 2023**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount of financial liabilities that are part of the supplier finance arrangements included in:			
Other current liabilities			
of which suppliers have received payments	32,254	–	–

16. INTEREST-BEARING BANK BORROWINGS

	2024			2023		
	Effective interest rate *(%)*	**Maturity**	***RMB'000***	Effective interest rate *(%)*	Maturity	*RMB'000*
Current						
Secured bank borrowings	**3.45–4.50**	**2025**	**137,037**	3.45–4.60	2024	269,680
Total – current			**137,037**			269,680
Non-current						
Secured bank borrowings	**2.80–4.60**	**2026–2035**	**704,747**	2.80–4.90	2025–2035	864,142
Total – non-current			**704,747**			864,142
Total			**841,784**			1,133,822

	2024 ***RMB'000***	2023 *RMB'000*
Analysed into:		
Bank borrowings:		
Within the first year	**137,037**	269,680
Within the second to fifth years	**393,900**	271,491
Beyond the fifth year	**310,847**	592,651
Total	**841,784**	1,133,822

(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 RMB626,749,000 (31 December 2023: RMB940,714,000);

(ii) the pledge of certain of the Group's time deposits amounting to RMB56,000,000 included in pledged deposits under current assets (31 December 2023: a non-current asset of RMB98,000,000); and

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

(b) All borrowings are denominated in RMB.

17. COMMITMENTS

(a) Capital commitments

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

	2024	2023
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Property, plant and equipment	**155,035**	225,065
Intangible assets – product development in progress	**26,720**	110,699
Total	**181,755**	335,764

(b) Lease commitments

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

	2024	2023
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Short-term leases and leases of low-value assets	**195**	1,917

FINANCIAL REVIEW

Revenue

Total revenue of the Group for the Year was approximately RMB1,901.1 million (2023: RMB1,860.5 million), representing a year-on-year increase of approximately 2.2% (approximately RMB40.6 million).

Among the changes in revenue, sales revenue from the medical aesthetics business was approximately RMB744.2 million (2023: RMB449.9 million), representing a year-on-year increase of approximately 65.4% (approximately RMB294.3 million), primarily due to the high level of product recognition gained in the market during the Year which drove a significant growth in sales revenue from its medical aesthetics business, coupled with the additional income generated from the sales of new products.

Sales revenue from the generic medicine business was approximately RMB1,099.3 million (2023: RMB1,398.8 million), representing a year-on-year decrease of approximately 21.4% (approximately RMB299.5 million), mainly due to the impact of centralized procurement and the inclusion of certain products in the key monitoring catalogue by the relevant governing authorities, which led to a larger decline in the overall average price and sales volume of the generic medicine business during the Year.

In addition, revenue from the innovative medicine and other medicine was approximately RMB57.6 million (2023: RMB11.8 million), representing a year-on-year increase of approximately 388.1% (approximately RMB45.8 million), mainly due to the launching and commercialization of the first-class new drug Anaprazole Sodium, which was self-developed by Xuanzhu Biopharm, and in the second half of 2023, started generating revenue. The above changing trends in sales revenue are in line with the current industry policy of "innovation-driven and transformation" in the PRC.

Cost of Sales

The Group's cost of sales for the Year was approximately RMB659.4 million (2023: RMB564.9 million), representing a year-on-year increase of RMB94.5 million or an increase of 16.7%. One of the main reasons was the significant growth in sales volume of the Group's medical aesthetics business during the Year, which led to a corresponding increase in the cost of sales.

Gross Profit

The Group's gross profit for the Year was approximately RMB1,241.7 million (2023: RMB1,295.6 million), representing a year-on-year decrease of approximately 4.2% (approximately RMB53.9 million), mainly due to the decrease in the gross profit of the Group's generic medicine business for the Year, with the decline in revenue being greater than the decline in costs.

The Group's overall gross profit margin was 65.3%, representing a year-on-year decrease of 4.3% as compared to 69.6% for the last year, mainly because the revenue from the generic medicine business accounted for 57.8% of the total revenue, and the decrease in gross profit of the generic medicine business pulled down the overall gross profit margin.

Other gains – net

The Group's other gains – net for the Year was approximately RMB123.7 million (2023: RMB216.1 million), representing a year-on-year decrease of 42.8% (approximately RMB92.4 million), mainly due to the decrease in gain on changes in fair value of the Group's unlisted equity investments.

Distribution expenses

The Group's distribution expenses for the Year amounted to approximately RMB430.1 million (2023: RMB442.3 million), representing a year-on-year decrease of 2.8% (approximately RMB12.2 million), mainly due to the decrease in sales volume of the Group's generic drugs, which led to a corresponding decrease in selling expenses.

Administrative expenses

The Group's administrative expenses for the Year amounted to approximately RMB745.4 million (2023: RMB469.0 million), representing a year-on-year increase of 58.9% (approximately RMB276.4 million), mainly due to the incentive shares granted by Xuanzhu Biopharm, an innovative pharmaceutical subsidiary of the Group, during the Year.

R&D expenses

The Group's overall R&D expenses for the Year amounted to approximately RMB473.9 million (2023: RMB577.7 million), representing a year-on-year decrease of 18.0% (approximately RMB103.8 million), mainly due to the significant reduction of R&D staff costs.

Other expenses

The Group's other expenses for the Year amounted to approximately RMB102.2 million (2023: RMB59.0 million), representing a year-on-year increase of 73.2% (approximately RMB43.2 million), mainly due to the increase in loss on changes in fair value of unlisted equities for the Year.

Operating (loss)/profit

The Group's operating losses for the Year amounted to approximately RMB138.1 million (2023: profit of RMB161.7 million) of which the share-based payments amounted to approximately RMB418.0 million (2023: RMB89.1 million), representing a year-on-year increase of RMB328.9 million. This is mainly due to the incentive shares granted by Xuanzhu Biopharm, an innovative pharmaceutical subsidiary of the Group. Excluding this impact, the operating profit of the Group basically remained constant as compared to the last year.

Finance expenses

Finance expenses for the Year amounted to approximately RMB274.9 million (2023: RMB269.3 million), representing a year-on-year increase of 2.1% (approximately RMB5.6 million). The total amount included the interest expenses on the redemption liabilities on subsidiaries' shares amounting to approximately RMB228.8 million (2023: RMB211.3 million).

Loss before tax

Loss before tax of the Group for the Year amounted to approximately RMB428.3 million (2023: RMB161.3 million), representing a year-on-year increase of 165.5% (approximately RMB267.0 million), which is mainly due to the increase of share-based payments for the Year (reasons analysed as above). Excluding this impact, the Group's loss before tax was approximate to that of the last year.

Income tax expense

Income tax expense of the Group for the Year amounted to approximately RMB43.3 million (2023: RMB96.4 million), representing a year-on-year decrease of 55.1% (approximately RMB53.1 million). Despite an overall loss for the Year, certain generic medicine subsidiaries and medical aesthetic segments of the Group still recorded taxable profit under the PRC tax statutory regime.

Loss for the Year

Given the above, loss for the Year of the Group amounted to approximately RMB471.5 million (2023: RMB257.7 million), representing a year-on-year increase of 83.0% (approximately RMB213.8 million) in loss, mainly due to the increase in share-based payments for the Year (reasons analysed as above).

Loss attributable to owners of the Company

Loss attributable to owners of the Company for the Year amounted to approximately RMB216.7 million (2023: RMB54.0 million), representing a year-on-year increase of 301.3% (approximately RMB162.7 million) in loss, mainly due to the increase in share-based payments for the Year (reasons analysed as above).

Loss attributable to non-controlling interests

Loss attributable to non-controlling interests for the Year amounted to approximately RMB254.9 million (2023: RMB203.7 million), representing a year-on-year increase of 25.1% (approximately RMB51.2 million) in loss, mainly due to the increase in share-based payments for the Year (reasons analysed as above).

Liquidity and financial resources

The Group maintained strong financial position. As at 31 December 2024, the Group's cash and cash equivalents, wealth management products, pledged deposits and time deposits amounted to approximately RMB3,976.4 million (31 December 2023: RMB4,610.5 million) in aggregate, representing a year-on-year decrease of 13.8% (approximately RMB634.1 million), which was mainly due to the repayment of redemption liabilities of RMB785.3 million during the Year. Of the aggregated balance, cash and cash equivalents amounted to approximately RMB3,522.4 million (31 December 2023: RMB3,778.7 million), the total wealth management products recognized in the consolidated statement of financial position amounted to approximately RMB110.6 million (31 December 2023: RMB589.0 million), and pledged deposits and time deposits amounted to approximately RMB343.4 million (31 December 2023: RMB242.8 million). Net cash inflows from operating activities for the Year amounted to approximately RMB243.9 million.

In general, the Group places its surplus 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 investments conducted by the Group for the Year was approximately RMB8,763.6 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 2024, bank borrowings of the Group amounted to approximately RMB841.8 million (31 December 2023: RMB1,133.8 million) and other borrowings of the Group amounted to approximately RMB41.5 million (31 December 2023: RMB40.9 million). Approximately 91.0% of total amount of borrowings were at floating rates and the remaining 9.0% were at fixed rates (31 December 2023: 75% floating; 25% fixed). The Group's borrowings-to-equity ratio, expressed as a percentage of borrowings over equity attributable to owners of the Company, was 20.2% (31 December 2023: 26.5%). The Group had sufficient cash as at 31 December 2024.

The Directors are of the opinion that the Group does not have any significant capital risk.

Inventories

As at 31 December 2024, inventories amounted to approximately RMB417.0 million (31 December 2023: RMB557.3 million), representing a decrease of 25.2% (approximately RMB140.3 million). The inventory turnover period for the Year was 266 days (2023: 371 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 consisted of prepayments to suppliers and loans to associates and third parties. As at 31 December 2024, the Group's trade and other receivables were approximately RMB1,424.2 million (31 December 2023: RMB1,134.8 million), representing an increase of 25.5% (approximately RMB289.4 million). The total of trade receivables and notes receivable were approximately RMB593.9 million (31 December 2023: RMB397.8 million), representing an increase of 49.3% (approximately RMB196.1 million), mainly due to the significant year-on-year growth in sales volume of the Group's medical aesthetics business during the Year, which led to a corresponding increase in trade receivables.

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 2024, the net book value of the property, plant and equipment was approximately RMB2,007.5 million (31 December 2023: RMB2,174.6 million), representing a decrease of 7.7% (approximately RMB167.1 million).

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 related to the acquisition of several drug R&D projects and self-development of R&D projects. As at 31 December 2024, net intangible assets amounted to approximately RMB841.7 million (31 December 2023: RMB776.0 million), representing an increase of 8.5% (approximately RMB65.7 million), mainly due to the increase in the capitalization of R&D costs of the innovative medicine and other medicine business.

Trade and other payables

The Group's trade and other payables mainly comprised trade payables, notes payable, deposit payables, accrued expenses and payables for cost of construction and acquisition of a subsidiary. As at 31 December 2024, trade and other payables amounted to approximately RMB1,687.9 million (31 December 2023: RMB1,710.8 million), representing a decrease of 1.3% (approximately RMB22.9 million).

Contingent liabilities

As at 31 December 2024, the Group had no material contingent liabilities (31 December 2023: Nil).

Off-balance sheet commitments and arrangements

As at 31 December 2024, the Group had neither entered into any off-balance sheet arrangements nor commitments to provide guarantees for any payment obligations of any third party. The Group did not have any variable interests in any unconsolidated entities which receive financing or liquidity funding, or generate 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 2024, the Group's total capital commitment was approximately RMB181.8 million. It was mainly set aside for purchase of property, plant and equipment and intangible assets.

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 ageing 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 also regularly reviews 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 likely to be 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, investment properties and intangible assets. The Group's capital expenditure for the Year amounted to approximately RMB186.4 million, of which approximately RMB70.7 million and RMB115.7 million were spent on purchase of property, plant and equipment and purchase of or self-development of intangible assets, respectively.

Material investment, acquisition and disposal

During the Year, the Group did not have any material investment, acquisition or disposal.

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 2024, the Group had pledged certain assets to secure banking facilities granted to subsidiaries. For details, please refer to note 16 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 2024, the Group had 2,667 employees. The Group's total salary and related costs for the Year were approximately RMB912.5 million (2023: RMB681.1 million), including bonus and non-cash share-based payments of approximately RMB35.8 million and RMB418.0 million (2023: RMB47.6 million and RMB89.1 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 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 under 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

During the Year, the Company repurchased 20,000,000 Shares through the Stock Exchange at a total consideration, before expenses, of approximately HK$12.32 million and held as treasury shares (the "**Treasury Shares**"[1]). Details of repurchase are as follows:

	Number of Shares repurchased	**Repurchasing price for each Share**		**Aggregate consideration paid**	
		Highest HK$	*Lowest HK$*	*HK$ million*	*Equivalent to RMB million*
June 2024	10,000,000	0.56	0.52	5.36	4.87
November 2024	10,000,000	0.71	0.68	6.96	6.38
Total:	**20,000,000**			**12.32**	**11.25**

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including sale of Treasury Shares) during the year ended 31 December 2024. As at 31 December 2024, the Company held 20,000,000 Treasury Shares. The Company intended to use such Treasury Shares for subsequent sale or transfer.

EVENTS AFTER THE REPORTING PERIOD

The Group has no 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 C1 to the Listing Rules during the reporting period.

[1] has the meaning ascribed to it under the Listing Rules

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 C3 to the Listing Rules. Having made specific enquiries, all Directors confirmed that they have complied with the required standards set out in the Model Code during the Year.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") has 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 2024 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, 6 June 2025. 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, 2 June 2025 to Friday, 6 June 2025 (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 Friday, 30 May 2025. The record date for determining the identity of the Shareholders who are entitled to attend and vote at the Annual General Meeting is Friday, 6 June 2025.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2024 (2023: Nil).

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 2024 as set out in the 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 2024 will be dispatched to Shareholders and available on the above websites in due course.

Shareholders are encouraged to elect to receive corporate communications electronically. Shareholder may at any time send written notice to the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong or via email at sihuanpharm-ecom@vistra.com specifying his/her name, address and request to change his/her choice of language or means of receipt of all corporate communications.

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, 28 March 2025

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. Tsang Wah Kwong, Dr. Zhu Xun and Mr. Wang Guan.