Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

SHENZHEN HEPALINK PHARMACEUTICAL GROUP CO., LTD.

(深圳市海普瑞藥業集團股份有限公司)

(A c c a c a ed e Pe e' Re b c f C a ed ab)

(Stock code: 9989)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2022

The board of directors (the "**Board**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended December 31, 2022

	Notes	**2022** ***RMB'000***	2021 *RMB'000*
REVENUE	*4*	**7,151,039**	6,359,786
Cost of sales		**(4,860,850)**	(4,366,204)
Gross profit		**2,290,189**	1,993,582
Other income and gains	*5*	**207,431**	(11,682)
Selling and distribution expenses		**(518,502)**	(430,493)
Administrative expenses		**(742,461)**	(668,326)
Impairment losses on financial assets		**(61,067)**	(101,958)
Impairment losses on associates		**–**	(223,092)
Other expenses		**(1,648)**	(5,463)
Finance costs	*6*	**(245,629)**	(210,074)
Share of profits and losses of associates		**(98,462)**	(120,230)
PROFIT BEFORE TAX	*7*	**829,851**	222,264
Income tax (expense)/credit	*8*	**(115,164)**	11,120
PROFIT FOR THE YEAR		**714,687**	233,384
Attributable to:			
Owners of the parent		**727,077**	240,788
Non-controlling interests		**(12,390)**	(7,404)
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic			
– for profit for the year		**RMB0.50**	RMB0.16
Diluted			
– for profit for the year		**RMB0.50**	RMB0.16

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended December 31, 2022

	2022	2021
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**714,687**	233,384
OTHER COMPREHENSIVE INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods (net of tax):		
Exchange differences on translation of foreign operations	**260,977**	(24,373)
Share of other comprehensive (loss)/income of associates	**(13,481)**	1,013
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**247,496**	(23,360)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods (net of tax):		
Change in fair value of equity investments designated at fair value through other comprehensive income	**(5,554)**	(64,774)
Remeasurement income on defined benefit pension schemes	**67,688**	892
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	**62,134**	(63,882)
Other comprehensive income/(loss) for the year, net of tax	**309,630**	(87,242)
Total comprehensive income for the year, net of tax	**1,024,317**	146,142
Attributable to:		
Owners of the parent	**1,035,957**	153,886
Non-controlling interests	**(11,640)**	(7,744)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2022

		2022	2021
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**2,454,845**	2,526,672
Right-of-use assets		**244,443**	239,854
Goodwill		**2,350,992**	2,152,201
Other intangible assets		**462,908**	472,969
Investments in associates		**989,386**	1,146,465
Equity investments designated at fair value through other comprehensive income		**507,146**	474,885
Financial assets at fair value through profit or loss		**967,576**	996,500
Deferred tax assets		**139,649**	121,718
Other non-current assets		**224,948**	206,016
Total non-current assets		**8,341,893**	8,337,280
CURRENT ASSETS			
Inventories		**6,843,906**	4,707,549
Trade and bills receivables	*10*	**1,606,211**	1,525,209
Contract assets		**19,534**	14,993
Prepayments, other receivables and other assets		**507,405**	566,687
Due from related parties		**44,833**	44,088
Financial assets at fair value through profit or loss		**1,311,633**	980,909
Derivative financial instruments		**10**	248
Pledged deposits		**69,388**	11,581
Time deposits		**749,684**	1,440,000
Cash and cash equivalents		**1,319,707**	1,479,633
Total current assets		**12,472,311**	10,770,897
CURRENT LIABILITIES			
Trade payables	*11*	**427,433**	385,787
Other payables and accruals		**545,512**	608,729
Contract liabilities		**428,218**	377,814
Interest-bearing bank and other borrowings		**4,020,784**	3,268,166
Tax payable		**112,257**	112,997
Due to related parties		**5,902**	6,223
Lease liabilities		**35,690**	31,754
Total current liabilities		**5,575,796**	4,791,470

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2022

		2022	2021
		RMB'000	*RMB'000*
NET CURRENT ASSETS		**6,896,515**	5,979,427
TOTAL ASSETS LESS CURRENT LIABILITIES		**15,238,408**	14,316,707
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**2,296,680**	2,250,270
Deferred income		**32,547**	16,673
Deferred tax liabilities		**328,920**	275,358
Long-term employee benefits		**51,938**	138,020
Other non-current liabilities		**9,935**	9,070
Lease liabilities		**110,749**	104,001
Total non-current liabilities		**2,830,769**	2,793,392
Net assets		**12,407,639**	11,523,315
EQUITY			
Equity attributable to owners of the parent			
Share capital	*13*	**1,467,296**	1,467,296
Reserves		**10,843,619**	9,944,058
Total equity attributable to owners of the parent		**12,310,915**	11,411,354
Non-controlling interests		**96,724**	111,961
Total equity		**12,407,639**	11,523,315

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Hepalink is a global pharmaceutical company with business spanning the manufacture and sales of pharmaceutical products, development of Contract Development and Manufacturing Organization ("**CDMO**") services and innovative drugs. Our sales of pharmaceutical products consist of (i) finished dose pharmaceutical products, which

vaccination orders. While relieving the threat to the medical system and society caused by the pandemic, they have also rationally and effectively adjusted their policies and relaxed strict anti-epidemic restrictions, so that social life and economic activities can return to normal in an orderly manner.

Although it was particularly complicated and volatile for the Group's business environment during 2022 due to the geopolitical conflict, sluggish macro-economy and the spread of the pandemic, we maintained our strategic focus and made good progress in achieving our strategic objectives. Over the past year, Hepalink has strictly implemented the scheduled plans to proactively improve its financial performance and profitability as well as the intrinsic value of the enterprise, and successfully completed the annual plans and targets. The Group has actively enhanced its strategic thinking and decision-making capacity and strengthened the applications of strategic, forward-looking and systematic thinking in the Group's operations through investigation and research. Strengthening strategic guidance and adhering to the problem orientation, we realized the need to recognize the challenges in both the industry and the market, and utilize our own advantages to identify and capture the opportunities in a timely manner. Remodeling processes, enhancing mechanisms and innovating systems with digital thinking, we established a data-driven business management model, focusing on value enhancement and pursuing high-quality development.

In 2022, Hepalink drove further the implementation of the Group's supply chain strategy. We assess the situation with an efficient response and have a real-time and accurate understanding of the supply chain dynamics. Based on the analysis of inventory and business data, we have a comprehensive knowledge of warehouse management, transportation flow, supply collaboration and resource allocation, achieving synergies between upstream and downstream businesses to quickly respond to sales and customer demand. During the year under review, we actively upgraded our supply chain management system and built a more resilient global supply chain to cope with volatility in operating conditions and the risks of logistics. Through the design and precise implementation of the supply chain strategy, we were able to ensure the supply of raw materials and a smooth production process, thus promoting the cost-effectiveness of the Group's business. We also took the initiative to set up information channels in the value chain, improve the transparency of supply and demand information, and obtain information about changes in demand and production and supply restrictions. Timely and transparent market information enables us to accurately and promptly adjust production plans to changes in the environment, and reduce the potential risk of supply-demand mismatch and exaggerating the short-term volatility caused by information asymmetry. The key objectives of the Group's supply chain strategy are globalization, business flexibility and cost competitiveness. Hepalink will continue to drive further the development of supply chain coordination, standardization, digitization and globalization, and will focus on developing its strategic supply chain system with the connection of production, supply and sales and effective integration of domestic and foreign trade, to support high-quality business development, and to provide a solid foundation and strong support for the development of dual-circulation mutual promotion domestically and internationally.

In conclusion, the Group has shown a favorable development trend in operational efficiency, sales scale, cost control and global supply chain management in 2022. Firstly, double-digit growth was recorded in both revenue and earnings; Secondly, the market share and sales scale of each segment continued to increase; Thirdly, gross profit margin improved as compared with the corresponding period of last year; Fourthly, the global supply chain management has been effectively improved to better support the operational needs of Hepalink.

In 2022, profit attributable to equity holders of the Company increased by 202.0% to RMB727.1 million. The basic earnings per share for 2022 was RMB0.50 as compared to RMB0.16 for 2021.

Business Review

During the Reporting Period, the Group recorded a revenue of approximately RMB7,151.0 million, representing an increase of approximately 12.4% as compared with 2021. During the Reporting Period, the Group recorded a profit attributable to equity holders of the parent of approximately RMB727.1 million (2021: approximately RMB240.8 million), representing a year-on-year increase of 202.0%.

During the Reporting Period, operating income for each business segment is as follows:

	For the year ended December 31,		**Year-on-year**
	2022	2021	**increase/**
	Operating income	Operating income	**decrease**
Business Segment	***RMB'000***	*RMB'000*	***(%)***
Sales of products	**6,012,848**	5,504,926	**9.2%**
Finished dose pharmaceutical products	**3,210,465**	2,638,151	**21.7%**
API	**2,673,754**	2,721,733	**(1.8)%**
Others[(1)]	**128,629**	145,042	**(11.3)%**
CDMO service	**1,084,066**	813,104	**33.3%**
Others[(2)]	**54,125**	41,756	**29.6%**

Notes:

(1) Other products mainly include pancreatin API.

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

Sales

The Group mainly operates four main business focus, including (i) the Finished Dose Pharmaceutical Business; (ii) the API business; (iii) CDMO business; and (iv) the innovative drugs.

Finished Dose Pharmaceutical Business

During the Reporting Period, the finished dose pharmaceutical products business of the

Sales in the U.S. market continue to advance in line with strategic objectives and achieve targeted growth. During the Reporting Period, the Group continued to collaborate with its strategic partners in the U.S., and the sales volume of finished dose enoxaparin sodium pharmaceutical product maintained steady growth, and have been rapidly gaining recognition in the U.S. market in the past two years, where it has become a market leader. During the Reporting Period, the Group's sales office in the U.S. started operation. Through the efforts of our professional marketing team, our proprietary standard finished dose heparin sodium pharmaceutical products was successfully launched and recorded sales. Meanwhile, with a marketing network covering 50 states in the United States, the Group currently has contracts with the three largest distributors in the United States as well as contracts with the largest Group Purchasing Organizations and dialysis centers in the United States. In March 2023, Shenzhen Techdow Pharmaceutical Co., Ltd. ("**Shenzhen Techdow**"), a wholly-owned subsidiary of the Company, has been notified that, the U.S. Food and Drug Administration ("**FDA**") had approved the abbreviated new drug application ("**ANDA**") for its enoxaparin sodium injection. The ANDA approval indicated that Hepalink's enoxaparin sodium finished doses can be sold in the United States market by its own sales team, which will further increase the market share of the Grpup's enoxaparin sodium finished doses in the United States through the coverage of its own sales network and pipeline.

Sales in the China market showed strong resilience. Faced with the changing pandemic prevention measures, the overall sales volume still exceeded 13 million units, representing an increase of more than 50%. During the Reporting Period, the Group achieved sales expansion in more than 30 provinces and cities nationwide, and successfully entered into the drug procurement catalogs of various provinces and cities. Simultaneously, with the brand reputation and excellent quality domestically and abroad, Hepalink's Prolongin (普洛靜) has also become the first enoxaparin sodium injection brand to reach online sales cooperation with multiple internet platforms, starting a new chapter of enoxaparin sodium injection in digital online medicine in China. Furthermore, during the Reporting Period, the Group held several medical conferences and participated in more than 400 academic conferences and other various academic activities to promote academic exchanges and continuously contributed to popular science education in the field of low molecular weight heparin in China.

International non-European and American markets achieved stable performance. During the Reporting Period, the international non-European and American markets were in a phase of de-stocking and the medical system was gradually returning to normal. The demand for finished dose enoxaparin sodium pharmaceutical product was relatively stable compared to the peak of the pandemic. The Group's sales level in the international non-European and American markets was similar to that of the corresponding period of last year. In 2022, we steadily pushed forward the strategic measures for the international non-European and American markets with a long-term plan. During the Reporting Period, the Group eagerly sought to increase its market share in the existing market, among which the sales volume in Malaysia, Brazil and Saudi Arabia increased significantly, while we also vigorously promoted the international drug registration application and increased the number of countries in which the products were sold. The Group continued to explore the sales channels, closely kept track of the bidding process, sought cooperation from local sales partners, and coordinated and supplemented the whole channel operation through multiple channels to promote the steady development of the sales operation.

During the Reporting Period, based on the fast-growing business demand and future development planning, the construction project of the production line of the finished dose pharmaceutical products at the Hepalink park, Pingshan District was officially commenced. The first phase of the project has a targeted production capacity of 360 million units/year, with delivery expected to be completed in 2024 and commercial batch production to be achieved in 2025. We believe that the Group's finished dose pharmaceutical products business will receive more solid and strong support with the completion of the new production line.

About finished dose enoxaparin sodium pharmaceutical product: Finished dose enoxaparin sodium pharmaceutical product is one type of low molecular weight heparin ("**LMWH**") finished doses, which is widely used in clinical practice. Its main indications include prophylaxis of venous thromboembolic disease (prophylaxis of venous thrombosis), especially thrombosis related to orthopedics or general surgery; treatment of developed deep vein embolism with or without pulmonary embolism; used in hemodialysis and extracorporeal circulation to prevent thrombosis, etc.. Finished dose enoxaparin sodium pharmaceutical product of the Group is the first generic drug in the European Union and was approved by the European Medicines Agency (the "**EMA**") through the Centralized Procedure (CP) in 2016. According to the Clinical Guidelines issued by the World Health Organization and the National Institute for Health and Care Excellence of the United Kingdom, LMWH can also be used to prevent complications caused by COVID-19.

API Business

During the Reporting Period, faced with the complicated external environment, the Group overcame the impact of the pandemic and solidified its business foundation. The Group's heparin API business has made steady progress, with sales revenue of approximately RMB2,673.8 million (the same period of last year: RMB2,721.7 million), accounting for 37.4% of the Group's total revenue. During the Reporting Period, the gross profit level of the Group's API business significantly improved, with its gross profit margin increased by 1.1 percentage points to 27.7% (the same period of last year: 26.6%).

After decades of development, the API industry has entered a mature stage focused on quality improvement. Major enterprises in the industry emphasized on continuous quality and efficiency improvement in aspects such as supply chain optimization and digital drive to gain an advantage in market share. During the Reporting Period, the Group accelerated the pace of global supply chain strategic planning, striving to achieve the strategic objective of optimizing the production operation management of relevant industrial chains. With promising results, the Group has successfully improved the overall cost of the supply chain, implemented a data-driven plan as well as considerably promoted cost reduction and efficiency improvement at the production end. Leveraging on its advantages such as rich technological experience, leading market share and strict quality assurance mechanism, Hepalink has established the Group's dominant position in the global API industry. During the Reporting Period, we implemented our business strategy to fulfill our domestic and oversea sales orders, and fully supported and satisfied

our customers' needs in cooperation with our domestic and foreign production bases, resulting in a remarkable increase in the revenue of heparin APIs. In addition, the Group has made key breakthroughs in major emerging markets such as India, Russia and Turkey, further expanding our global sales coverage and maintaining the Group's leading position in the global heparin market. In respect of the enoxaparin API business, during the Reporting Period, due to the increase in exchange rate uncertainty in certain regions, significant additional costs were passed on to local customers, resulting in the postponement of some orders and the impact on the sales of enoxaparin API of the Group during the year. However, at the same time, we also increased our marketing efforts to successfully reach long-term cooperation agreements with several large and medium-sized customers, and obtained new approvals in a number of major markets, laying a solid foundation for future business growth.

About heparin APIs: Heparin is a type of anticoagulant drug with various functions such as anticoagulation and antithrombosis. The heparin industry consists of the initial upstream procurement of porcine small intestines, the upstream extraction of crude heparin, the midstream manufacture of heparin APIs and the downstream manufacture and supply of enoxaparin finished dose. Heparin Sodium API is mainly used for the manufacture of standard heparin finished doses and LMWH APIs, which in turn are used for the manufacture of LMWH finished doses. The Group has two major manufacture bases for Heparin Sodium API in China and the United States. Apart from being partly supplied to Shenzhen Techdow Pharmaceutical Co., Ltd., a wholly-owned subsidiary of the Group, the Heparin Sodium APIs are mainly sold to overseas customers, including a number of world renowned multinational pharmaceutical enterprises.

CDMO Business

During the Reporting Period, sales amount of CDMO business was approximately RMB1,084.1 million (the same period of last year: RMB813.1 million). Revenue improved significantly, with gross margin up 6.5 percentage points to 38.5%.

During the Reporting Period, Cytovance, which is part of the CDMO business of the Group, implemented various operating standards with high requirements, standards and quality in order to continuously improve its sales management and project management capabilities, thereby creating value for customers with different and diversified needs, and providing efficient and high-quality R&D and production services. During the Reporting Period, Cytovance has become part of the Group's value chain, with revenue continuing the growth trend and a significant increase in profit, in which the service revenue maintained double-digit growth and its gross profit margin also recorded 40% or above. During the Reporting Period, the Group optimized its business mix, enhanced its production efficiency for strategic resource integration, and strengthened the overall operating structure of the Group and the R&D capacity of CDMO, which provided a strong impetus for future development. Meanwhile, SPL performed better than expected. On the one hand, it overcame the adverse impact of the COVID-19 pandemic on the CDMO business and soon restored its operation and project management capabilities;

increased significantly as compared with the corresponding period of last year. During the Reporting Period, Cytovance cooperated with Avantor, a world-renowned supplier of life sciences, advanced biotechnology and applied materials. The parties will jointly provide plasmid production services meeting the cGMP standard of the U.S. and GMP-grade plasmid products for biomedical customers to support the rapid development in the field of cell and gene therapy, thereby enhancing Cytovance's global recognition, its technological barriers and brand advantages.

Innovative Drugs

AR-301 (Salvecin)

AR-301 is a fully human monoclonal IgG1 antibody (mAb) that specifically targets S. aureus alpha-toxin. It is being developed by our shareholding subsidiary Aridis Pharmaceuticals, Inc. (a company listed on the NASDAQ, stock code: ARDS). It is currently in a global Phase III clinical trial as an adjunctive therapy to standard of care antibiotics in patients diagnosed with ventilator associated pneumonia (VAP) caused by S. aureus. Results of a Phase I/II clinical trial completed in the United States in the earlier stage have shown that patients treated with AR-301 in combination demonstrated less time spent under mechanical ventilation and higher rates of S. aureus eradication as compared to those treated with antibiotics alone. AR-301 was granted Fast Track Designation by the FDA and Orphan Drug Designation by the EMA. During the Reporting Period, 174 subjects were enrolled in the Global Phase III Study of Tosatoxumab (AR-301) in Combination with Antibiotics (SOC) for the Treatment of Staphylococcus aureus Ventilator-associated Pneumonia (VAP), and the number of cases of mITT (modified intention to treat, mITT) was 120. At the same time, the analysis of clinical data shows that Tosatoxumab has obvious benefits in patients over 65 years old with ventilator-associated pneumonia, and also provides benefit results in the comparison of therapeutic effects on patients with Methicillin-resistant Staphylococcus aureus (MRSA). At present, Aridis Pharmaceuticals, Inc. plans to discuss with FDA and EMA to promote the follow-up of key clinical studies among relevant patients.

Oregovomab

Oregovomab, a murine monoclonal antibody, is an anti-CA125 immunotherapy drug candidate being developed by our shareholding subsidiary OncoQuest Inc. It has completed a Phase II clinical trial as a standard treatment combined with chemotherapy in patients with advanced primary ovarian cancer. The results of the Phase II clinical trial have shown the safety and efficacy of Oregovomab in such combined standard treatment regime for advanced primary ovarian cancer patients were in line with efficacy expectations. The Phase II clinical results have shown a significant prolongation of median progression-free survival (PFS) of 41.8 months in such combined standard treatment regime, compared with 12.2 months in chemotherapy-only regime with an HR of 0.46 (95% Cl: 0.28, 0.77). It also showed a significant improvement in overall survival (OS) with an HR of 0.35 (95% Cl: 0.16, 0.76). Oregovomab has obtained Orphan Drug Designation from the FDA and the EMA.

The Group’s Oregovomab Phase III clinical trial completed the first patient dosing in the

Outlook

In 2023, the global macro-economic environment will remain challenging. The economic cycles in Europe, the U.S. and China will be notably different. China's economic rebound will be in sharp contrast to those in Europe and the U.S. facing risks of recession. The worst bout of inflation in four decades has led to a decline of per capita disposable income in Europe and the U.S.. The global economy has entered a low growth stage as the tightening of monetary policies imposed by the government has also tightened the liquidity of overseas markets. Concurrently, with a prudent and stable approach in relaxing anti-epidemic measures, there is a high possibility of introducing a stable growth policy. China's economy is expected to stabilize and rebound in 2023, and the macroeconomic will be improving.

Throughout the past year, thanks to the engagement of the Group, the globalization of the supply chain of Hepalink has achieved initial results and contributed to the improvement of operational efficiency and the establishment of global business. Facing the future, Hepalink will further allocate global resource in a targeted manner to give better play to its own advantages in the global supply chain, thereby strengthening its supply chain management capability, business flexibility and resilience for the global optimization of the value chain from end to end. For a long time, the Group has been committed to driving the deep integration of digitalization with industrial chains and supply chains and has profoundly realized the vital role digitalization plays in resisting risks and enhancing resilience in production and operation. We will continue to upgrade our data analysis and digital management systems, and by creating a new distribution platform, we will transform the conclusions obtained through data analysis into practical strategic initiatives, and formulate action plans to support production and manufacturing, operation management, sales services and market development. With the digitalization of all elements of the Group's global industrial chain and supply chain, we will have to keep up with market changes, even gain insight into changes before the market finds out. We will also make pre-judgement based on trends to fully tap market potential, lay out sales strategies and seize market opportunities. In addition, Hepalink will continue to actively optimize the production allocation, improve production efficiency, and formulate periodic review to evaluate the operating position horizontally and vertically, so as to improve the safety and quality systems of the Group and realize further cost reduction and efficiency improvement.

In the finished dose pharmaceutical products business, the Group will strive to secure national growth and market leadership. In the China market, the launch of the 8th centralized drug procurement is of great significance for Hepalink to the building of brand awareness and the sales of the finished dose pharmaceutical products. Hepalink will expand the Group's market share in China through the centralized procurement platform and accelerate regional sales growth. We will further promote the development of the finished dose pharmaceutical products market in China, which will become a new growth driver for the Group. International development is an important strategy that we have always adhered to. Through international sales presence and the continuous

improvement of the overseas competitiveness and brand influence of Hepalink, the Group's international strategy and exploration are proven to be effective. Looking at the European and American markets, the interest rate hike process in various economies in the past year has affected the interest expenses of enterprises and increased the operating costs. However, with the relatively stable production and operation conditions of the Group at present, as well as the favorable factors and cost advantages brought by the global layout and supply chain network, there is still more room for sales expansion in the European market. In the U.S. market, the Group will continue to cooperate with strategic partners to lead the steady development of its finished dose pharmaceutical products business and consolidate its market position. Furthermore, we will strengthen the operation of our own team, adjust our sales management approaches, and actively establish sales channels to realize orderly growth of our business. In other overseas markets, Hepalink will speed up market access and registration with proactive market exploration. Simultaneously, we will increase the sales volume in the existing overseas markets as well as the existing markets, refine our business and expand the scale of the existing markets.

In respect of API business, the Group will pay attention to the optimization and better resource allocation, fully utilize to the Group's comprehensive advantages in product, marketing, production and operation management, and consolidate the Group's leading position in the API industry. We will leverage the decisive role of the market in resource allocation, and develop our business in a targeted manner to maintain stable business growth by focusing on regional economies and the differentiated characteristics of our target customers. At the same time, the Group will continue to extend down the value chain to support the development of the downstream core business, and maintain strategic support. In addition, the Group will increase its efforts on market expansion efforts and focus on promoting the sales of high-tech, high-quality and high-value-added enoxaparin API products to achieve orderly business development and steady revenue growth.

In terms of the CDMO business, through years of efforts, Hepalink has fundamentally established a service system for R&D and production of mammalian cell culture and microbial fermentation throughout the whole pre-clinical and clinical development process. Based on the existing CDMO layout, the Group will optimize the resource allocation to improve the production capacity and integrate the cell culture platform. On the one hand, the Group will realize more production capacity release to meet future business needs, and on the other hand, the Group will be able to meet the needs of

With regard to innovative drugs, the Group will continue to adhere to the principles of rational investment, effective allocation, forward-looking planning and sophisticated management of innovative drug R&D resources allocation, and promote the clinical development process of innovative drugs for substantive progress, consequently ensuring mutual benefit and win-win results for all parties.

Looking forward to 2023, Hepalink will continue to implement and drive its own strategic layout, the expansion and diversified integration of the Group's global supply chain network as well as maintain steady business development to continuously improve operational efficiency and financial indicators. In the foreseeable and constantly changing operating environment, we will uphold our industry chain advantages to ensure the inventory and accessibility of the Group's business development resources with the enhancement of the value of each business segment. While consolidating its existing foundation, the Group actively explored suitable opportunities to achieve a new breakthrough in the Group's business and demonstrate to the market the business expertise, strategic vision, and development potential of Hepalink as an industry leader. In this new year, despite the changing and complex market conditions, the Group is

Revenue from manufacturing and sales of goods increased by RMB508.0 million to RMB6,012.9 million, accounting for 84.1% of the total revenue during the Reporting Period, as compared with RMB5,504.9 million or 86.6% of the Group's revenue in the corresponding period in 2021. The increase in revenue from manufacturing and sales of goods was mainly due to the year-on-year increase in sales revenue of finished dose pharmaceutical products during the year. The finished dose pharmaceutical products business benefited from the rapid growth of the Group's sales in Europe, the United States and China markets in 2022, with a year-on-year increase in average sales price and a year-on-year increase of 21.7% in sales revenue of the finished dose pharmaceutical products business.

Cost of sales

For the Reporting Period, cost of sales increased by RMB494.7 million to RMB4,860.9 million, as compared with RMB4,366.2 million for the corresponding period in 2021. The increase in cost of sales was mainly due to the increase in cost of sales of finished dose pharmaceutical products and CDMO during the Reporting Period.

Gross Profit

	For the year ended December 31,			
	2022	**2022**	2021	2021
		Gross profit		Gross profit
	Gross profit	**margin**	Gross profit	margin
	RMB'000	***(%)***	*RMB'000*	*(%)*
Sale of goods	**1,821,343**	**30.3%**	1,691,939	30.7%
Finished dose pharmaceutical products	**1,132,402**	**35.3%**	973,785	36.9%
API	**741,900**	**27.7%**	724,234	26.6%
Others[(1)]	**(52,959)**	**(41.2%)**	(6,080)	(4.2%)
CDMO services	**417,334**	**38.5%**	259,803	32.0%
Others[(2)]	**51,512**	**95.2%**	41,840	100.2%
Total	**2,290,189**	**32.0%**	1,993,582	31.3%

Notes:

(1) Other products mainly include Pancreatin API.

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

For the Reporting Period, gross profit increased by RMB296.6 million to RMB2,290.2 million, as compared with RMB1,993.6 million in the corresponding period in 2021. For the Reporting Period, gross profit margin increased by 0.7 percentage points to 32.0%, as compared with 31.3% for the corresponding period in 2021. The increase in gross profit margin was mainly due to the increase in cost of sales as a result of higher sales volume of finished dose pharmaceutical products.

Finance Costs

The Group's finance costs mainly consist of interest on bank borrowings and corporate bonds and other finance costs. For the Reporting Period, finance costs increased by RMB35.5 million to RMB245.6 million, as compared with RMB210.1 million for the corresponding period in 2021, representing an increase of 16.9%. The increase in finance costs was mainly due to an increase in interest-bearing bank and other borrowings as compared with the corresponding period in 2021.

Taxation

For the Reporting Period, income tax expense was RMB115.2 million, as compared with an income tax credit of RMB11.1 million for the corresponding period in 2021, representing an increase of approximately 1,137.8%.

Profit Attributable to Equity Holders of the Company

For the Reporting Period, profit attributable to equity holders of the Company was RMB727.1 million, as compared with RMB240.8 million for the corresponding period in 2021, representing an increase of approximately 202.0%.

Earnings per Share

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

For the Reporting Period, both basic earnings per share and diluted earnings per share were RMB0.50, as compared with RMB0.16 for the corresponding period in 2021, representing an increase of approximately 212.5%.

Liquidity and Financial Resources

Treasury Policies

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

Liquidity and Financial Resources

The Group's liquidity remains strong. During the Reporting Period, the Group's funds were primary from its ordinary business. As at December 31, 2022, the Group's cash and bank balances were approximately RMB1,319.7 million (December 31, 2021: approximately RMB1,479.6 million).

Capital Structure

As at December 31, 2022, the Group recorded short-term loans of approximately RMB4,020.8 million (December 31, 2021: approximately RMB3,268.2 million) and long-term loans of approximately RMB2,296.7 million (December 31, 2021: approximately RMB2,250.3 million).

Pledge of Assets

As at December 31, 2022, the Group's assets of approximately RMB3,182.0 million were pledged to banks and other financial institutions to secure the credit facilities granted to the Group (December 31, 2021: approximately RMB2,491.7 million).

Contingent Liabilities

As at December 31, 2022, neither the Group nor the Company had material contingent liabilities (December 31, 2021: nil).

Asset-liability Ratio

As at December 31, 2022, the Group's total assets amounted to approximately RMB20,814.2 million, (December 31, 2021: approximately RMB19,108.2 million), whereas the total liabilities amounted to approximately RMB8,406.6 million (December 31, 2021: approximately RMB7,584.9 million). The asset-liability ratio (i.e., total liabilities divided by total assets) was approximately 40.4% (December 31, 2021: approximately 39.7%).

Interest Rate Risk

The Group's exposure to the risk of changes in market interest rates relates to the interest-bearing bank and other borrowings with floating interest rates. The Group's policy is to manage our interest cost using a mix of fixed and variable rate debts. As at December 31, 2022, the Group had approximately 92.7% interest-bearing borrowings bearing interest at fixed rates (December 31, 2021: approximately 93.7%).

Indebtedness

	As at December 31, 2022	As at December 31, 2021
	RMB'000	*RMB'000*
Interest-bearing bank and other borrowings	**6,317,464**	5,518,436
Lease liabilities	**146,439**	135,755
Total financial indebtedness	**6,463,903**	5,654,191
Pledged bank deposits	**(69,388)**	(11,581)
Net financial indebtedness	**6,394,515**	5,642,610

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

	As at December 31, 2022	As at December 31, 2021
	RMB'000	*RMB'000*
Repayable:		
Within one year or on demand	**4,020,784**	3,268,166
After one year but within two years	**1,404,818**	1,604,635
After two years but within five years	**435,195**	143,412
After five years	**456,667**	502,223
Total	**6,317,464**	5,518,436

The Group's bank lending as at December 31, 2022 was approximately RMB4,311.0 million (December 31, 2021: RMB3,840.0 million). As at December 31, 2022, the Group's corporate bond was approximately RMB1,403.0 million (December 31, 2021: RMB1,610.7 million). As at December 31, 2022, the Group's total amount of other lending was RMB603.4 million (December 31, 2021: RMB67.7 million).

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

December 31, 2022

1. Corporate Information

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

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

2.1 Basis of Preparation

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

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended December 31, 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

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

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

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Changes in Accounting Policies and Disclosures

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

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

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

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

(b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by IAS 2 Inventories, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after January 1, 2021. Since there was no sale of items produced while making property, plant and equipment available for use, the amendments did not have any impact on the financial position or performance of the Group.

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

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

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

- IFRS 16 Leases: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

3. Operating Segment Information

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

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

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

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

(d) The "others" segment.

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

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

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

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

For the year ended December 31, 2022

Segments	Finished dose pharmaceutical products *RMB'000*	Active pharmaceutical ingredients *RMB'000*	CDMO *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue:					
Sales to external customers	**3,210,465**	**2,673,754**	**1,084,066**	**182,754**	**7,151,039**
Intersegment sales	**2,468,477**	**3,369,777**	**2,213**	**435,821**	**6,276,288**
	5,678,942	**6,043,531**	**1,086,279**	**618,575**	**13,427,327**
Reconciliation:					
Elimination of intersegment sales					**(6,276,288)**
Revenue from contracts with customers					**7,151,039**
Segment results:	**1,071,893**	**925,075**	**418,754**	**54,927**	**2,470,649**
Reconciliation:					
Elimination of intersegment results					**(180,460)**
Other income and gains					**207,431**
Selling and distribution expenses					**(518,502)**
Administrative expenses					**(742,461)**
Impairment losses on financial assets					**(61,067)**
Impairment losses on associate					**–**
Other expenses					**(1,648)**
Finance costs					**(245,629)**
Share of profits and losses of associates					**(98,462)**
Group's profit before tax					**829,851**

For the year ended December 31, 2022 (continued)

Segments	Finished dose pharmaceutical products *RMB'000*	Active pharmaceutical ingredients *RMB'000*	CDMO *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment assets	**4,272,831**	**12,057,357**	**2,573,751**	**1,169,499**	**20,073,438**
Reconciliation:					
Elimination of intersegment receivables					**(5,442,142)**
Corporate and other unallocated assets					**6,182,908**
Total assets					**20,814,204**
Segment liabilities	**2,261,519**	**3,228,971**	**467,235**	**2,677,328**	**8,635,053**
Reconciliation:					
Elimination of intersegment payables					**(6,703,798)**
Corporate and other unallocated liabilities					**6,475,310**
Total liabilities					**8,406,565**
Other segment information					
Impairment losses recognised in the in the statement of profit or loss, net	**4,090**	**28,346**	**28,523**	**108**	**61,067**
Depreciation and amortisation	**47,343**	**89,404**	**77,826**	**97,434**	**312,007**
Investments in associates					**989,386**
Capital expenditure	**15,100**	**49,904**	**68,758**	**12,532**	**146,294**

For the year ended December 31, 2021

Segments	Finished dose pharmaceutical products	Active pharmaceutical ingredients	CDMO	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue:					
Sales to external customers	2,638,151	2,721,733	813,104	186,798	6,359,786
Intersegment sales	1,356,082	345,036	616,703	301,926	2,619,747
Segment sales	3,994,233	3,066,769	1,429,807	488,724	8,979,533
Elimination of intersegment sales					(2,619,747)
Consolidated revenue					6,359,786

For the year ended December 31, 2021 (continued)

Segments	Finished dose pharmaceutical products *RMB'000*	Active pharmaceutical ingredients *RMB'000*	CDMO *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment assets	3,616,707	11,062,171	2,080,120	1,272,434	18,031,432
Reconciliation:					
Elimination of intersegment receivables					(5,632,197)
Corporate and other unallocated assets					6,708,942
Total assets					19,108,177
Segment liabilities	2,413,999	2,753,548	421,601	2,741,219	8,330,367
Reconciliation:					
Elimination of intersegment payables					(6,334,993)
Corporate and other unallocated liabilities					5,589,488
Total liabilities					7,584,862
Other segment information					
Impairment losses recognised in the in the statement of profit or loss, net	8,335	68,988	23,230	1,405	101,958
Depreciation and amortisation	50,782	86,367	75,438	94,207	306,794
Investments in associates					1,146,465
Capital expenditure	2,580	80,118	67,025	26,298	176,021

Geographical information

(a) Revenue from external customers

	2022	2021
	RMB'000	*RMB'000*
Hong Kong	**103,018**	187,981
United States of America	**1,387,152**	956,132
Europe	**3,729,856**	3,469,218
Mainland China	**641,478**	552,243
Other countries/regions	**1,289,535**	1,194,212
	7,151,039	6,359,786

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

(b) Non-current assets

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Mainland China	**2,705,525**	2,850,044
United States of America	**3,610,134**	3,368,616
Europe	**129,267**	141,086
Hong Kong	**282,596**	384,431
	6,727,522	6,744,177

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

Information about major customers

During the year ended December 31, 2022, revenue of approximately RMB733,019,000 derived from sales to a single external customer, including sales to a group of entities which are known to be under common control with that customer, accounted for more than 10% of the total revenue.

During the year ended December 31, 2021, revenue of approximately RMB651,052,000 derived from a single external customer accounted for more than 10% of the total revenue.

4. Revenue

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended December 31, 2022

Segments	Finished dose pharmaceutical products *RMB'000*	Active pharmaceutical ingredients *RMB'000*	CDMO *RMB'000*	Others *RMB'000*	Total *RMB'000*
Types of goods or services					
Sale of products	**3,210,465**	**2,673,754**	**–**	**128,629**	**6,012,848**
CDMO services	**–**	**–**	**1,084,066**	**–**	**1,084,066**
Others	**–**	**–**	**–**	**54,125**	**54,125**
Total revenue from contracts with customers	**3,210,465**	**2,673,754**	**1,084,066**	**182,754**	**7,151,039**
Timing of revenue recognition					
Products transferred at a point in time	**3,210,465**	**2,673,754**	**–**	**128,629**	**6,012,848**
Services transferred at a point in time	**–**	**–**	**320,179**		

For the year ended December 31, 2021

Segments	Finished dose pharmaceutical products *RMB'000*	Active pharmaceutical ingredients *RMB'000*	CDMO *RMB'000*	Others *RMB'000*	Total *RMB'000*
Types of goods or services					
Sale of products	2,638,151	2,721,733	–	145,042	

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

	2022	2021
	RMB'000	*RMB'000*
Revenue recognised that was included in the contract liabilities balance at the beginning of the year:		
Sale of products	**10,585**	4,960
CDMO services	**407,679**	257,228
	418,264	262,188

(ii) Performance obligations

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

Sale of products

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

CDMO services

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

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

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

	2022	2021
	RMB'000	*RMB'000*
Within one year	**652,130**	1,194,897

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

6. Finance Costs

An analysis of finance costs is as follows:

	2022	2021
	RMB'000	*RMB'000*
Interest expenses on:		
Bank borrowings	**160,912**	121,352
Corporate bonds	**69,327**	76,406
Lease liabilities	**5,003**	3,873
Other finance costs	**10,387**	8,443
	245,629	210,074

7. Profit before Tax

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

	2022	2021
	RMB'000	*RMB'000*
Cost of inventories sold	**4,191,405**	3,812,987
Cost of services provided	**669,445**	553,217
Depreciation of property, plant and equipment	**219,970**	217,492
Depreciation of right-of-use assets	**38,741**	37,782
Amortisation of other intangible assets	**53,296**	51,520
Research and development costs*	**252,142**	221,099
Auditor's remuneration	**6,010**	7,050
Employee benefit expense (including directors' and supervisors' remuneration):		
Salaries and other benefits	**654,005**	560,762
Pension scheme contributions, social welfare and other welfare	**120,378**	123,824
Lease payment not included in the measurement of lease liabilities	**2,488**	2,315
Bank interest income	**(54,139)**	(54,857)
Finance costs	**245,629**	210,074
Interest income from debt investment	**–**	1,744
Dividend income from financial assets at fair value through profit or loss	**(7,107)**	(28,575)
Dividend income from financial assets at fair value through other comprehensive income	**–**	(15,488)
Foreign exchange losses, net	**(186,331)**	205,044
Gains on disposal of financial assets at fair value through profit or loss	**5,624**	(5,761)
Fair value losses on derivative instruments	**26,869**	4,181
Fair value gains on financial assets at fair value through profit or loss	**74,831**	(68,065)
Losses on disposal of items of property, plant and equipment	**2,760**	5,105
Gains on disposal of investment in associates	**(21,771)**	–
Impairment losses on financial assets:	**–**	–
Impairment loses on trade receivables	**48,858**	68,659
Impairment losses on financial assets included in prepayments, other receivables and other assets and due from related parties	**12,209**	33,299
Write-down of inventories to net realisable value	**36,434**	34,919
Impairment losses on associates	**–**	223,092

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

8. Income Tax Expense

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

	2022	2021
	RMB'000	*RMB'000*
Current tax expense		
PRC	**56,733**	60,861
USA	**90,431**	81,920
Elsewhere	**12,638**	15,558
Under provision in prior years	**(1,338)**	1,098
	158,464	159,437
Deferred tax expense		
PRC	**(2,785)**	(113,925)
USA	**(40,902)**	(62,985)
Elsewhere	**387**	6,353
	(43,300)	(170,557)
Total tax charge for the year	**115,164**	(11,120)

9. Earnings per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of the basic and diluted earnings per share amounts is based on the profit attributable to ordinary equity holders of the parent, and the weighted average number of 1,467,296,204 ordinary shares (2021: 1,467,296,204) in issue during the year as adjusted to reflect rights issue during the year. The Group had no potentially dilutive ordinary shares in issue during the years ended December 31, 2022 and 2021.

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

	2022	2021
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent	**727,077**	240,788

	Year ended December 31,	
	2022	2021
Number of shares		
Weighted average number of ordinary shares in issue during the year, used in the basic and diluted earnings per share calculation	**1,467,296,204**	1,467,296,204

10. Trade and Bills Receivables

	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**1,712,557**	1,601,498
Bills receivable	**8,118**	10,010

11. Trade Payables

	2022	2021
	RMB'000	*RMB'000*
Trade payables	**427,433**	385,787

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

	2022	2021
	RMB'000	*RMB'000*
Within 1 year	**424,520**	381,473
1 year to 2 years	**548**	2,117
2 years to 3 years	**1,373**	1,518
Over 3 years	**992**	679
	427,433	385,787

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

12. Dividends

	2022	2021
	RMB'000	*RMB'000*
Proposed final – RMB10 cent (2021: RMB3.5 cent) per ordinary share	**146,730**	51,355

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

13. Share Capital

	2022	2021

Use of Proceeds from the H Share Listing of the Company

The H shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange on July 8, 2020 (the "**Listing Date**

Business objectives	Original planned use of the Net Proceeds as disclosed in the Prospects *(RMB million)*	Remaining Net Proceeds as at the date of the Announcement *(RMB million)*	Revised allocation of unutilized Net Proceeds *(RMB million)*	Utilized during the year ended December 31, 2022 *(RMB million)*	Accumulated utilized up to December 31, 2022 *(RMB million)*	Unutilized as at December 31, 2022 *(RMB million)*
(1) Improving capital structure and repaying the existing debt	1,061.5 (30% of the Net Proceeds)	27.1	–	–	1,034.4	–
(2) Expansion of the sales and marketing network and infrastructure in the European Union and other global markets, such as the PRC	1,061.5 (30% of the Net Proceeds)	1,061.5	636.9	25.6	25.6	611.3
(3) Expanding our development and manufacturing capacity and broadening our product and services offering of Cytovance	707.7 (20% of the Net Proceeds)	707.7	451.8	2.5	2.5	449.3
(4) Investment in innovative drugs	707.7 (20% of the Net Proceeds)	626.9	376.2	4.1	80.8	376.2
(5) General working capital of the Company or, subject to permission under the PRC laws and regulations, the balance to be placed with PRC financial institutions as short-term deposits	–	–	958.3	292.0	292.0	666.3
Total:	3,538.4	2,423.2	2,423.2	324.2	1,435.3	2,103.1

The Net Proceeds have been and will be utilized in the manner consistent with that previously disclosed in the Prospectus and the Announcement, and the remaining unutilized Net Proceeds as at December 31, 2022 were placed with PRC financial institutions as short-term deposits. The Group expects to fully utilize the remaining Net Proceeds on or before December 31, 2025.

Significant Investments Held

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

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

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

Employee and Remuneration Policy

As at December 31, 2022, the Group had 2,366 employees, where their salaries and allowances were determined based on their performance, experience and the then prevailing market rates. Other employee benefits include the Mandatory Provident Fund, insurance and medical care, subsidized training, and employee share incentive schemes. During the Reporting Period, the total staff costs (including director's emoluments) were approximately RMB774.4 million (2021: approximately RMB684.6 million).

Purchase, Sale or Redemption of Listed Securities

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

Compliance with Corporate Governance Code

The Company is committed to ensuring high standards of corporate governance and has adopted the code provisions set out in the Part 2 of the Corporate Governance Code in Appendix 14 to the Listing Rules (the "**Corporate Governance Code**"). During the Reporting Period and up to the date of this announcement, the Company has complied with all the applicable code provisions in the Corporate Governance Code.

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

Final Dividend

Relevant resolution has been passed at a meeting of the Board held on March 29, 2023, and the Board proposed the distribution of a final dividend (the "**Final Dividend**") of RMB1.0 (tax inclusive) per ten ordinary shares of the Company for the year ended December 31, 2022.

If such profit distribution plan is reviewed and approved by shareholders of the Company at the 2022 annual general meeting to be held on Monday, May 22, 2023 (the "**2022 AGM**"), the Final Dividend will be distributed no later than August 15, 2023 to H shares shareholders whose names appear on the register of members of the Company's H shares on Wednesday, May 31, 2023. The Final Dividend is denominated and declared in Renminbi. The Final Dividend payable to the holders of the Company's H shares shall be paid in Hong Kong dollars. The amount of Hong Kong dollars payable shall be calculated on the basis of the average closing exchange rates for Hong Kong dollars as announced by the Foreign Exchange Trading Centre of the PRC one calendar week prior to the approval of the Final Dividend at the 2022 AGM.

Annual General Meeting

The 2022 AGM will be held on Monday, May 22, 2023. A notice convening the 2022 AGM will be published on the websites of the Hong Kong Stock Exchange and the Company and dispatched to the H shares shareholders of the Company in due course.

Closures of Register of Members

i. For attending and voting at the 2022 AGM

The register of members of the Company's H shares will be closed from Wednesday, May 17, 2023 to Monday, May 22, 2023, both days inclusive, during which period no transfer of H shares will be registered. In order to be eligible for attending and voting at the forthcoming annual general meeting, all transfer of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's H shares share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Tuesday, May 16, 2023.

ii. For entitlement of proposed Final Dividend

The register of members of the Company's H shares will be closed from Monday, May 29, 2023 to Wednesday, May 31, 2023, both days inclusive, during which period no transfer of H shares will be registered. In order to qualify for the proposed Final Dividend, all transfer of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's H shares share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Thursday, May 25, 2023.

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

The Company has devised its own code of conduct for the trading of securities by its directors, supervisors and members of senior management of the Group (who are likely to possess inside information about the securities of the Company due to their offices or employments in the Group) on terms that no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules (the "**Model Code**"). Having made specific enquiry by the Company, all directors, supervisors and members of senior management of the Group have confirmed that they have complied with the required standard set out in the Model Code during the Reporting Period and up to the date of this announcement. The Company continues and will continue to ensure the compliance with the corresponding provisions set out in the Model Code.

Review of Annual Results by the Audit Committee

The Audit Committee of the Board has considered and reviewed the consolidated annual results of the Group for the year ended December 31, 2022 and the accounting principles and practices adopted by the Group, and has discussed with management issues in relation to internal control, risk management and financial reporting. The Audit Committee of the Board is of the opinion that the consolidated annual results of the Group for the year ended December 31, 2022 are in compliance with the relevant accounting standards, laws and regulations and have been officially disclosed in due course.

Scope of Work of Ernst & Young

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and the related notes thereto for the year ended December 31, 2022 as set out in this results announcement have been agreed by the Company's auditors to the amounts set out in the Group's consolidated financial statements for the Year. The work performed by the Company's auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditors on this results announcement.

Events after the Reporting Period

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

Publication of Annual Report

This announcement is published on the websites of the Company (http://www.hepalink.com/) and the Hong Kong Stock Exchange (http://www.hkexnews.hk). The Company's Annual Report 2022 will be despatched to the H shares shareholders and published on the websites of the Company and the Hong Kong Stock Exchange in due course.

Appreciation

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

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

Shenzhen, the PRC
March, 29, 2023

As at the date of this announcement, the executive directors of the Company are Mr. Li Li, Ms. Li Tan and Mr. Shan Yu; and the independent non-executive directors of the Company are Dr. Lu Chuan, Mr. Chen Junfa and Mr. Wang Zhaohui.