Grand Pharmaceutical Group Limited
遠大醫藥集團有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 00512)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

Financial Summary

- The revenue for the year ended 31 December 2021 amounted to approximately HK$8,597.98 million (2020: HK$6,352.92 million) with increment of approximately 35.3% as compared with the same period of last year.

- The profit for the year attributable to owners of the Company for the year ended 31 December 2021 amounted to approximately HK$2,402.56 million (2020: HK$1,792.66 million), with an increment of approximately 34.0% as compared with the same period of last year. If disregarding the gain from fair value change of investment in Telix and the share of results of other overseas associates, the profit attributable to the owners of the Company amounted to approximately HK$2,059.59 million (2020: HK$1,709.02 million).

- The gross profit margin for the year ended 31 December 2021 was approximately 61.0% (2020: 63.5%) with a decrease of approximately 2.5 per cent points as compared with the same period of last year.

- For the year ended 31 December 2021, our business continuously maintained constant growth, the Group invested a large amount of funds for product development, and invested a large amount of resources for the pre-clinical research, clinical trials, listing and registration phases of research projects, and reached agreements with a number of companies for obtaining the rights of R&D, manufacturing and commercialization of different products and for the consolidation of further cooperation, with a total investment amount of over HK$2.3 billion.

- During 2021, the Group maintained the corporate strategy in promoting products with high-entry barriers, products with brands and products integration of raw materials and preparations, and kept creating new profit growing points, which brought out an obvious attainment of operation. Throughout years of efforts, the operation profit of the Group recorded continuous and steady growth and thus the Board proposed a final dividend of 11 HK cents, amounted to approximately HK$390.45 million.

The board (the "**Board**") of directors (the "**Directors**") of Grand Pharmaceutical Group Limited (the "**Company**") is pleased to announce the audited consolidated annual results for the year ended 31 December 2021 of the Company and its subsidiaries (collectively the "**Group**"), together with comparative figures for the previous period as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	**2021** ***HK$'000***	2020 *HK$'000*
Revenue	*4*	**8,597,975**	6,352,919
Cost of sales		**(3,350,737)**	(2,317,725)
Gross profit		**5,247,238**	4,035,194
Other revenue and income		**349,016**	383,552
Distribution costs		**(2,397,848)**	(1,860,086)
Administrative expenses		**(909,617)**	(685,239)
Impairment of financial assets at amortised cost, net		**(353)**	(17,805)
Net income from financial assets at fair value through profit or loss	*5*	**484,848**	271,409
Fair value change on derivative financial instruments		**(8,350)**	-
Share of results of associates		**113,862**	61,979
Finance costs	*6*	**(92,964)**	(115,421)
Profit before tax		**2,785,832**	2,073,583
Income tax expense	*7*	**(380,800)**	(292,374)
Profit for the year	*8*	**2,405,032**	1,781,209

	Notes	2021 ***HK$'000***	2020 *HK$'000*
Other comprehensive income, net of income tax			
Items that will not be reclassified to profit or loss:			
Fair value gain/(loss) on investment in equity instruments at fair value through other comprehensive income		**28,641**	(15,602)
Share of other comprehensive (loss)/income of associates		**(12,047)**	26,435
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translating foreign operations		**274,095**	356,602
Other comprehensive income for the year, net of income tax		**290,689**	367,435
Total comprehensive income for the year, net of income tax		**2,695,721**	2,148,644
Profit/(loss) for the year attributable to:			
- Owners of the Company		**2,402,563**	1,792,661
- Non-controlling interests		**2,469**	(11,452)
		2,405,032	1,781,209
Total comprehensive income/(loss) for the year attributable to:			
- Owners of the Company		**2,696,069**	2,174,432
- Non-controlling interests		**(348)**	(25,788)
		2,695,721	2,148,644
Earnings per share	*10*		
- Basic and diluted (HK cents)		**67.72**	52.03

Details of the dividends for the year ended 31 December 2021 are disclosed in note 9.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

	Notes	**2021** ***HK$'000***	2020 *HK$'000*
Non-current assets			
Property, plant and equipment		**3,409,183**	3,033,216
Right of use assets		**392,528**	377,113
Investment properties		**167,151**	132,696
Interests in associates	*11*	**8,066,669**	6,133,066
Equity instruments at fair value through other comprehensive income		**145,685**	171,164
Loan receivables		**-**	113,959
Goodwill		**596,746**	505,574
Intangible assets		**1,009,764**	881,843
Deferred tax assets		**24,608**	25,162
Prepayments		**466,107**	291,594
		14,278,441	11,665,387
Current assets			
Financial assets at fair value through profit or loss		**1,112,968**	520,767
Inventories		**1,117,156**	955,314
Trade and other receivables	*12*	**2,661,450**	1,894,160
Loan receivables		**113,190**	45,676
Amounts due from related companies		**13,320**	35,436
Pledged bank deposits		**7,645**	30,910
Cash and cash equivalents		**1,752,860**	1,836,695
		6,778,589	5,318,958
Current liabilities			
Trade and other payables	*13*	**2,871,759**	2,139,452
Contract liabilities	*13*	**202,106**	269,049
Bank and other borrowings		**2,116,471**	1,568,454
Lease liabilities		**5,728**	6,200
Amounts due to related companies		**4,831**	57,575
Amount due to the immediate holding company		**2,331**	2,331
Derivative financial instrument		**8,350**	-
Income tax payable		**354,549**	259,866
		5,566,125	4,302,927
Net current assets		**1,212,464**	1,016,031
Total assets less current liabilities		**15,490,905**	12,681,418
Non-current liabilities			
Bank and other borrowings		**1,510,070**	798,562
Lease liabilities		**13,306**	15,162
Deferred tax liabilities		**197,849**	181,879
Deferred income		**326,818**	341,606
		2,048,043	1,337,209
Net assets		**13,442,862**	11,344,209

	Notes	**2021** ***HK$'000***	2020 *HK$'000*
Capital and reserves attributable to owners of the Company			
Share capital	*15*	**35,496**	35,496
Reserves		**13,357,135**	11,204,008
Equity attributable to owners of the Company		**13,392,631**	11,239,504
Non-controlling interests		**50,231**	104,705
Total equity		**13,442,862**	11,344,209

Notes:

1. GENERAL INFORMATION

The Company is incorporated in Bermuda on 18 October 1995 as an exempted company under the Companies Act 1981 of Bermuda with its shares listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 19 December 1995. The addresses of the registered office and principal place of business of the Company are Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and Unit 3302, The Center, 99 Queen's Road Central, Hong Kong, respectively.

The Group is principally engaged in the manufacture and sales of pharmaceutical preparations and medical devices, bio-technology products and health products, specialized pharmaceutical raw materials and other products, in the People's Republic of China (the "**PRC**").

Directors consider that Outwit Investments Limited (the "**Outwit**") is the parent company of the Company, and China Grand Enterprises Incorporation (the "**China Grand**") is the ultimate holding company of the Company.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is the same as functional currency of the Company, and the functional currency of most of the subsidiaries in Renminbi ("**RMB**"). The Board considered that it is more appropriate to present the consolidated financial statements in HK$ as the shares of the Company (the "**Shares**") are listed on the Stock Exchange. The consolidated financial statements are presented in thousands of units of HK$ (HK$'000), unless otherwise stated.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") for the first time in the current year:

Amendments to HKFRS 16	Covid-19 Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase2

Except as described as below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 "Interest Rate Benchmark Reform – Phase 2"

The Groups have applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying HKFRS 7 "Financial Instruments: Disclosures" ("HKFRS 7").

As at 1 January 2021, the Groups have several interest-bearing bank loans and derivative financial instruments denominated in Hong Kong dollars on the Hong Kong Interbank Offered Rate ("HIBOR"), the interests of which are indexed to benchmark rates that may be subject to interest rate benchmark reform. As at reporting date, the relevant counterparties have no intention to change the interest rate benchmark in the interest-bearing bank loans and derivative financial instruments. The transition is subjected to the negotiation between the Groups and the relevant counterparties.

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year. The Groups will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for interest-bearing bank loans and derivative financial instruments measured at amortised cost.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non- current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[2]
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination[2]

1 Effective for annual periods beginning on or after 1 April 2021.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after 1 January 2023.
4 Effective for annual periods beginning on or after a date to be determined.

The directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPERATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("**HKASs**"), and Interpretations issued by the HKICPA and accounting principles generally accepted in Hong Kong. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments, which are measured at fair values at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

4. REVENUE AND SEGMENT INFORMATION

For the year ended 31 December 2021 and 2020, the Group is principally engaged in manufacture and sales of pharmaceutical preparations and medical devices, bio-technology products and health products, specialised pharmaceutical raw materials and other products. The Board of directors, being the chief operating decision maker of the Group, reviews the operating results of the Group as a whole to make decisions about resource allocation. The operation of the Group constitutes one single reportable segment under HKFRS 8 and accordingly, no separate segment information is prepared.

The Group's revenue represents the invoiced value of goods sold, net of discounts and sales related taxes.

Geographical information

The Group's operations are mainly located in the PRC (country of domicile) and it also derives revenue from America, Europe and Asia.

Information about the Group's revenue from external customers is presented based on geographical location of the customers and information about the Group's non-current assets is presented based on geographical location of the assets are detailed below:

	Revenue from external customers		**Non-current assets**	
	2021	2020	**2021**	2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC	**7,422,136**	4,842,323	**8,528,777**	7,567,295
America	**430,098**	471,258	-	-
Europe	**297,962**	356,331	-	-
Asia other than the PRC	**330,889**	530,094	**42,805**	21,739
Others	**116,890**	152,913	-	-
Total	**8,597,975**	6,352,919	**8,571,582**	7,589,034

Note: Non-current assets excluded equity instruments at fair value through comprehensive income, loan receivables, deferred tax assets and a part of interests in associates.

Information about major customers

For the years ended 31 December 2021 and 2020, none of the Group's sales to a single customer amounted to 10% or more of the Group's total revenue.

REVENUE

Disaggregation of revenue from contracts with customers

	2021	2020
	HK$'000	*HK$'000*
Type of goods and services		
Manufacture and sales of pharmaceutical preparations and medical devices	**5,377,145**	4,081,751
Sales of bio-technology products and health products	**2,231,461**	1,503,082
Sales of specialised pharmaceutical raw materials and other products	**989,369**	768,086
Total revenue recognised at point in time	**8,597,975**	6,352,919

	2021	2020
	HK$'000	*HK$'000*
Revenue disclosed in segment information		
External customers	**8,597,975**	6,352,919
Timing of revenue recognition		
At point in time	**8,597,975**	6,352,919

All of the Group's revenue are recognised at point in time when carrier designated by the customer, or after the customer's acceptance or upon transfer of control of the goods to customers. All of the Group's revenue is generated in the PRC based on where goods are sold. All revenue contracts are for period of one year or less, as permitted by practical expedient under HKFRS 15, the transaction price allocated to these unsatisfied contacts is not disclosed.

5. NET INCOME FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021	2020
	HK$'000	*HK$'000*
Changes in fair value on listed equity security in Hong Kong	**(1,667)**	(3,333)
Changes in fair value on listed equity security outside Hong Kong	**485,348**	268,305
Investment income at fair value, net	**1,167**	6,437
	484,848	271,409

6. FINANCE COSTS

	2021	2020
	HK$'000	*HK$'000*
Interest on bank borrowings:		
- wholly repayable within five years	**90,191**	112,877
Interest on lease liabilities	**2,773**	2,544
	92,964	115,421

7. INCOME TAX EXPENSE

	2021	2020
	HK$'000	*HK$'000*
Current tax:		
The PRC Enterprise Income Tax	**370,443**	296,475
Deferred tax	**10,357**	(4,101)
	380,800	292,374

No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Company did not have any assessable profits subject to Hong Kong profits tax for both years. Provision on profits assessable elsewhere has been calculated at the rate of tax prevailing to the countries to which the Group operates, based on existing legislation, interpretations, and practices in respect thereof.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

According to the relevant PRC tax regulations, High-New Technology Enterprise (the "**HNTE**") operating within a High and New Technology Development Zone are entitled to a reduced Enterprise Income Tax (the "**EIT**") rate of 15%. Certain subsidiaries are recognised as HNTE and accordingly, are subject to EIT at 15%. The recognition as a HNTE is subject to review on every three years by the relevant government bodies.

8. PROFIT FOR THE YEAR

	2021	2020
	HK$'000	*HK$'000*
Profit for the year is stated after charging:		
Staff costs (excluding Directors' emolumnets) (note)		
- Wages and salaries	**1,265,065**	974,924
- Retirement benefits schemes contributions	**82,188**	12,585
	1,347,253	987,509
Depreciation of property, plant and equipment	**305,504**	259,821
Depreciation of right-of-use assets	**16,991**	15,580
Amortisation of intangible assets	**17,024**	11,660
Total depreciation and amortization	**339,519**	287,061
Cost of inventories recognised as an expense	**3,350,737**	2,317,725
Research and development expenditure	**331,421**	219,310
Marketing and promotion expenses	**634,985**	521,456
Fair value change on derivative financial instruments	**8,350**	_-

Note: There are approximately HK$388.87 million (2020: HK$306.72 million) related to cost of sales.

9. DIVIDEND

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2021	2020
	HK$'000	*HK$'000*
Final dividend proposed after the end of report HK$0.11 per share (2020: HK$0.11 per share)	**390,450**	390,450

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2021	2020
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.11 per share (2020: HK$0.096)	**390,450**	324,245

10. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity owners of the Company by the weighted average number of ordinary shares outstanding during the period, excluding ordinary shares purchased by the Group and held as treasury shares.

	2021	2020
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of basic earnings per share calculation	**2,402,563**	1,792,661

	2021	2020
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share calculation (Note)	**3,548,050**	3,445,243

Note:

As at 31 December 2021, treasury shares are deducted from total shares in issue for the purpose of calculating earnings per share.

Diluted earnings per share is the same as the basic earnings per share for the year ended 31 December 2021 and 2020 as there were no potential dilutive ordinary shares in issue.

11. INTEREST IN ASSOCIATES

During the year ended 31 December 2021, included in the interest in associates, there is an increase in shareholding in Grand Pharma Sphere Pte. Ltd., ("**Sirtex HoldCo**") through several transactions as described below. Details of the transactions are stated in the Company published announcement dated 2 July 2021, 11 August 2021 and 1 September 2021 and circular dated 13 September 2021.

On 1 July 2021, the Group has entered into a subscription agreement with Sirtex HoldCo, pursuant to which, the Group has agreed to subscribe for and Sirtex HoldCo has agreed to issue and allot 84,704,650 Sirtex HoldCo Shares for a consideration of US$100 million. The subscription was completed in July 2021. As at 31 December 2021, the shareholdings in Sirtex Holdco. held by the Group, has been increased by approximately 0.15% after a series of transactions.

The Group has also entered into two agreements of total return swap transaction ("**TRS Agreements**") with a financial institution (the "**Natixis**"), pursuant to which, among other things, the Natixis shall pass through to the Company the full economic exposure to the shares of Sirtex HoldCo ("Sirtex HoldCo Shares") acquired by the Natixis pursuant to the Natixis's Subscriptions.

In view of the TRS Agreements, the total of Sirtex HoldCo Shares held by the Natixis which was acquired by the Natixis under the Natixis's Subscription (the "Natixis Shares") are treated as part of the existing ownership interests of the Group in Sirtex HoldCo. for the purpose of applying the equity method of accounting as the terms of the TRS Agreement are such that it is the Company that has access to the returns associated with an ownership interest in the Natixis's shares currently held by the Natixis. In such circumstances, the proportion of ownership interest in Sirtex Holdco allocated to the Group is determined by taking into account the Sirtex HoldCo Shares held by the Natixis that currently give the Group access to the returns. The Group's effective voting power in Sirtex Holdco., has been increased by 7.69%.

Hence, the Group has, in substance, an existing ownership interest in respect of the 84,704,650 Sirtex HoldCo Shares as a result of the TRS transaction. A corresponding liability of USD100,000,000, which is equivalent to HK$777,256,000, representing the potential future payments was recognised at initial recognition of these ownership interests, which is disclosed under "Natixis and other borrowings" of consolidated statement of financial position.

12. TRADE AND OTHER RECEIVABLES

	2021	2020
	HK$'000	*HK$'000*
Trade receivables, net	**967,703**	815,265
Bills receivables	**829,402**	692,807
Deposits and prepayments (note (a))	**638,524**	259,157
Other tax receivables	**63,528**	47,334
Other receivables, net	**162,293**	79,597
	2,661,450	1,894,160

Notes:

(a) The increase of deposits and prepayment and other receivables amount is mainly related to the deposit payment and milestone payment of various projects including (but not limited to) Conavi Medical Inc. project, Cardio Focus Inc. project, ALK-Abelló A/S project and Formosa Pharmaceuticals, Inc. project, etc. amounted to approximately HK$199.01 million. Also it was paid approximately HK$155.49 million to Natixis as deposit for the Grand Pharma Sphere Pte Ltd. ("**Sirtex HoldCo**") project. The details of these projects are stated in the sections below.

The Group generally allows a credit period of 30 – 180 days (2020: 30 – 180 days) to its trade customers. The Group does not hold any collaterals over the trade and other receivables. The following is an aged analysis of trade receivables presented based on the invoice date at the reporting date. The bills receivables were all with maturity within 180 days from the reporting date.

	2021	2020
	HK$'000	*HK$'000*
Within 90 days	**738,650**	631,810
91-180 days	**155,539**	106,230
181-365 days	**73,514**	77,225
	967,703	815,265

13. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	2021	2020
	HK$'000	*HK$'000*
Trade payables	**549,963**	400,142
Bills payables	**184,535**	262,346
Accruals and other payables (note (a))	**1,943,515**	1,321,868
Other tax payables	**193,746**	155,096
	2,871,759	2,139,452
Contract liabilities (note (b))	**202,106**	269,049

Notes:

(a) The increase of accruals and other payables is mainly related to the increment of accrued selling and operating expenses such as salaries, marketing and promotion, research and development expenses amounted to approximately HK$322.46 million, in order to cope with the expansion of business scope.

(b) Contract liabilities in relation to sales of finished goods are expected to be settled within one year. The entire amount of contract liabilities as at 1 January 2021 is all recognised as revenue during current year.

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2021	2020
	HK$'000	*HK$'000*
Within 90 days	**300,002**	237,868
Over 90 days	**249,961**	162,274
	549,963	400,142

The average credit period on purchases of goods is 90 days.

The bills payables are mature within 180 days from the end of the reporting period.

14. SHARE CAPITAL

	Number of shares at		**Share capital at**	
	31 December 2021	31 December 2020	**31 December 2021**	31 December 2020
	'000	*'000*	***HK$'000***	*HK$'000*
Authorized				
Ordinary shares of HK$0.01 each	**100,000,000**	100,000,000	**1,000,000**	1,000,000
Issued and fully paid				
At 1 January 2021 and 2020	**3,549,571**	3,377,571	**35,496**	33,776
Issued under subscription	**-**	172,000	**-**	1,720
At 31 December 2021 and 2020	**3,549,571**	3,549,571	**35,496**	35,496

Notes:

(a) As at 31 December 2021, the Company, through a trust, held 22,430,500 shares in treasury for the purpose of a share award scheme. The fair value of the purchased shares was deducted from equity as "Treasury shares reserve" for an amount of approximately HK$143.50 million.

Industry Review

INDUSTRY REVIEW

2021 marked the commencement of the "14th Five-Year" Plan in China. With the effective prevention and control of the 2019 novel coronavirus disease pandemic ("**COVID-19**") in China, the economic and social development is gradually back to the normal track. Internationally, Omicron, a variant virus of COVID-19, continues to spread around the world, and new cases continue to be reported in various countries. The situation of COVID-19 pandemic prevention and control remains severe. Despite the slowdown in the pace of global economic recovery, China's economy still maintained a steady growth with a GDP growth of approximately 8.1% as compared to the previous year.

In the domestic pharmaceutical industry, new pharmaceutical policies have been continuously promoted, and the pharmaceutical industry has achieved recovery and high growth in the post-pandemic era. The production and demand of the pharmaceutical industry have shown rapid recovery growth, and the overall development was satisfactory. According to the data from the National Bureau of Statistics of China, in 2021, the revenue growth rate of the pharmaceutical manufacturing industry was approximately 20.1%, and the total profit growth rate was approximately 77.9%, showing huge development potential of the pharmaceutical industry. While further integrating and upgrading the industrial structure of the pharmaceutical industry and strengthening the overall planning during the "14th Five-Year" period, the Group will comprehensively promote the construction of a healthy China, promote the balanced distribution of high-quality medical resources, strengthen the construction of public health system, accelerate the construction of a hierarchical diagnosis and treatment system, and actively develop the orderly introduction of policies such as medical consortiums, which will benefit the healthy development of the pharmaceutical industry in the long run. At the same time, benefiting from factors such as the acceleration of aging population and consumption upgrading, the pharmaceutical sector, as an inelastic demand in domestic demand, coupled with the gradual improvement of the "Three Medical System" of medical care, medical insurance and medicine, ushered in a good development opportunity for the entire industry landscape.

In the face of the deepening reform of China's medical and health system, the Group adapted to the market development and changes in industry policies, seized opportunities, continued to consolidate its technological innovation strength, focused on the needs of patients, took technological innovation as the driving force, increased the layout of global innovative products and advanced technologies in response to the unmet clinical needs. By adhering to the strategy of "global expansion and dual-cycle operation" and focusing on domestic and foreign quality innovative products, the Group will develop our existing segments to provide more advanced and diversified treatment solutions for patients worldwide through the domestic and international cycles, so as to enhance the core competitiveness of the Group and bring greater returns to shareholders and the society.

GROUP POSITIONING

The Group is an international pharmaceutical company of technological innovation. The core products of the Group cover several major business areas, featured products of which include the anti-tumor, cerebro-cardiovascular emergency pharmaceutical products and advanced cerebro-cardiovascular intervention advanced medical devices, severe disease and anti-infection, respiratory and ENT, bio-health products and specialized pharmaceutical ingredients. The Group has mainly focused on four business scopes, namely "innovative drugs with high entry barriers", "branded drugs", "integration of raw materials", and "health products". There are three major segments of global innovation and technology leadership, namely cerebro-cardiovascular precision interventional diagnosis and treatment, Radionuclide-drug conjugate and severe disease and anti-infection, to be carried out with a forward-looking view by the Group.

Since the Group has a strong industrial foundation and a complete industrial chain with outstanding comprehensive advantages in pharmaceutical raw materials and preparations integration, it is listed as an emergency medicines manufacturer for national ready reserve, a national essential medicines base and a national centralized production base for minority-variety medicines, etc., laying a solid foundation for the sustained and stable growth of the Group's result. Moreover, the Group has more than 90 products included in the Chinese National List of Essential Drugs (2018 Edition), more than 200 products included in the National Drug List for Basic Medicl Reimbursement, Work-Related Injury Reimbursement and Maternity Reimbursement (2021 Edition).

In terms of pharmaceutical preparation, The Group has obvious advantages in traditional fields such as the respiratory and ENT, and cardiovascular emergency preparations. While a number of barrier products and exclusive products with leading market share make a stable contribution, the Group has also reserved five innovative products in the late clinical stage or launched overseas, including the treatment of "dry eye disease", "pterygium", "anti-inflammatory and pain relief after ophthalmology surgery", "allergic rhinitis" and "anaphylaxis". The Group will continue to adopt the R&D concept of combining innovator and generic to create a product cluster, and keep consolidating its leadership in this segment in the future. The Group has established a long-term and stable cooperative relationship with many overseas high-quality customers in the fields of bio-health products and specialised pharmaceutical ingredients products, which constitutes an important support for the Group's sustained and stable business performance.

Meanwhile, by fully capitalising "accurate and stable business development capabilities at home and abroad, the introduction and digestion of international leading technologies, excellent marketing and sales capabilities", the Group is aiming at the frontier areas of technological innovation. With the strategy of "strengthening fortification, deepening exploration, storing reserves" and the vision of internationalization and technological innovation, the Group continues to expand and reach a new business growth point, implements three innovative strategies of "cerebro-cardiovascular precision interventional diagnosis and treatment", "intervention, nuclear medicine and immunotherapy and anti-tumor" and "severe disease and anti-infection". We intend to build a world leading interventional diagnosis and therapeutic platform and strive to develop as the international first-class leader in terms of technology in the fields of diagnosis and treatment platform of tumor, and severe disease and anti-infection.

In the field of "cerebro-cardiovascular precision interventional diagnosis and treatment", the Group adheres to the treatment concept of "intervention without implantation", which covers six directions: coronary artery vascular intervention, peripheral vascular intervention, neurointervention, structural cardiac disease, electrophysiology and heart failure. For the purpose of a comprehensive deployment, a product cluster of technologically innovative high-end medical device is in place and continuously promote the comprehensive establishment of "active + passive" innovative device platform. Currently, there are ten products for the segment, among which, two products of vascular intervention have been approved for commercialization in China, and the clinical registration of the other products in China are also being actively advanced, striving to realize the commercialization of innovative products in phases and echelons, and driving the business in this field to achieve leap-forward growth. At the same time, regarding "introduction and landing" and "synchronously independent and localized R&D" as its development direction, the Group will realize the construction of a dual system of local + global R&D and production, as well as accelerate product launches and improve its own R&D capability. The Group targets to build this segment into a leading "cerebro-cardiovascular precision interventional diagnosis and treatment platform" in China and even the world.

In the field of anti-tumor, "tumor intervention", "Radionuclide-drug conjugate" ("**RDC**") and "immunotherapy"," are the three key layouts worldwide, in which for radionuclide it has established an all-round layout covering R&D, production, sales and supervision qualification and built up the full industry chain in 3 years. In terms of product pipelines, the Group has 16 global innovative products covering 13 cancer types including liver cancer, prostate cancer and colorectal cancer. Among them, the radionuclide drug diagnosis and treatment platform is a high-end technology platform established by the Group in the field of anti-tumor. Currently, there are ten innovative products, covering six nuclides including ^{68}Ga、^{177}Lu、^{131}I、^{90}Y、^{89}Zr、^{99m}Tc. SIR-Spheres® Y-90 microsphere injections is the radionuclide-drug conjugates, being the Group's global innovative blockbuster products, and has been approved by the National Medical Products Administration of the PRC ("**NMPA**") for commercialization for the treatment of patients with unresectable colorectal liver metastases who have failed to respond to the standard therapy. In terms of R&D, the Group relied on Telix Pharmaceuticals Limited ("**Telix**"), ITM Isotope Technologies Munich SE (**"ITM**"), Sirtex Medical Pty Ltd. ("**Sirtex**") and OncoSec Medical Incorporated ("**OncoSec**") to establish their international first-class R&D platforms for RDC, tumor intervention and DNA immunization, and greatly enhanced the Group's R&D strength in the field of tumor treatment. In the next 1-2 years, the Group will continue to strengthen the R&D and investment in this field, establish at least one Grade A production platform, complete the pipeline layout of more than 25 radionuclide diagnosis and treatment products, and form a radiopharmaceutical product group with SIR-Spheres® 90Y microsphere injection as the core. Currently, the radiopharmaceutical diagnosis and treatment platform of the Group and its associates have more than 400 employees worldwide, employees with masters and doctorates accounting for approximately 40%; three radiopharmaceutical R&D bases and five radiopharmaceutical production bases are set in the

world and the radiopharmaceutical diagnosis and treatment platform is currently one of the most globalized segments of the Group. The Group will continue to increase investment in and development of global innovative products in the field of radiopharmaceuticals and tumor immunity in response to unmet clinical needs and enrich product pipeline and improve supply chain, dedicating itself into building a world-leading radiopharmaceutical diagnosis and treatment platform and tumor immunotherapy platform.

The global first-in-class drug against unmet clinical needs is the focus in the field of severe disease and anti-infection. In terms of product pipelines, there are four global innovative drugs, two of which are global innovative drugs for the treatment of hospitalised sepsis and acute respiratory distress syndrome (the "**ARDS**"), STC3141 and APAD, a global innovative drug for the treatment of parainfluenza, and a pre-filled adrenaline automatic injection pen. The clinical progress of STC3141 was rapid. Currently, six clinical research approvals for four indications of sepsis, ARDS, severe COVID-19 infection and ARDS caused by COVID-19 infection have been obtained on three continents and in five countries namely China, Australia, Belgium, UK, Poland.

In the field of mRNA therapy, Nanjing AuroRNA Biotech Co., Ltd. ("**AuroRNA Biotech**"), mRNA vaccine research and development centre, jointly established by the Group and Belgium based eTheRNA Immunotherapies NV ("**eTheRNA**"), has been officially put into operation. AuroRNA Biotech has independent R&D capability, equipped with an early-stage project research and preparation development laboratory, with production capacity meeting the requirements of clinical research at all stages of therapeutic and preventive mRNA vaccines, accompanying with the ability to compete with international leading mRNA companies.

The Group is accelerating the pace of globalization. Since 2015, the Group has not only held a high proportion of shares in two important associates, Sirtex in Australia and OncoSec in United States, but also established equity and product strategic cooperation with Germany-based Cardionovum GmbH ("**Cardionovum**") and ITM, Canada-based Conavi Medical Inc. ("**Conavi**"), Australia-based Telix, Belgium-based eTheRNA, Italy-based InnovHeart S.r.l. ("**InnovHeart**"), US-based FastWave Medical Inc ("**FastWave**"), BRIM Biotechnology, Inc. and Formosa Pharmaceuticals, Inc. ("**Formosa**") in Taiwan, etc. Its presence has reached North America, Europe, Oceania, Asia and other regions around the world. Together with its major associates, the Group has deployed five technology R&D platforms and five R&D centers around the world; it has established production bases in the United States, Canada, Germany and Singapore, and has a world-wide sales network in more than 60 countries and regions.

"Maintain stable growth, strive in innovation and decide the layout", upon the principles of meeting the needs of patients, adapting to market development and insisting on technological innovation as well as the development concept of "comprehensive strengths, innovation barriers and global expansion" and the strategy of "dual-wheel driving development of independent R&D, global expansion and dual-cycle operation", the Group has formed a new pattern of domestic and international cycles that synergize with each other, and is committed to becoming an international pharmaceutical company of technological innovation, delivering on its promises for doctors and patients, and making significant contribution to the society.

BUSINESS REVIEW

Revenue and Profit

For the year ended 31 December 2021, the Group recorded revenue of approximately HK$8,597.98 million, representing an increase of approximately 35.3% as compared to the corresponding period in 2020. During the Year, the Group's gross profit margin was approximately 61.0%, which was 2.5 per cent points lower than the gross profit margin of 63.5% for the corresponding period in 2020.

The total profit for the Year attributable to owners of the Company for the year ended 31 December 2021 amounted to approximately HK$2,402.56 million, with an increment of approximately 34.0% as compared with the corresponding period in 2020. If excluding the gain from changes in fair value of investment in Telix and the share of results of other overseas associates, the profit attributable to the owners of the Company for the Year amounted to approximately HK$2,059.59 million (2020: HK$1,709.02 million).

Pharmaceutical Preparations and Medical Devices

Pharmaceutical products and medical devices are currently the major sources of profit contribution of

the Group. Major products include ophthalmic medicines, respiratory and ENT medicines, cerebro-cardiovascular emergency medicines and medical devices. In recent years, the Group has devoted to building the most comprehensive supply chain of ophthalmic, respiratory and ENT and cerebro-cardiovascular medicines in the PRC, covering the prescription drugs, over-the-counter drugs, medical devices, etc., and providing treatment solutions and care to medical professionals and patients. For the year ended 31 December 2021, the revenue from pharmaceutical products and medical devices was approximately HK$5,377.14 million, representing an increase of approximately 31.7% as compared to revenue of approximately HK$4,081.75 million for the corresponding period in 2020, which was mainly due to a significant increase in the sales of cerebro-cardiovascular emergency medicines and ophthalmic medicines. The following are the major products and sales in each therapeutic area.

Ophthalmic products

The Group has nearly 30 ophthalmic products for the treatment of dry eye, hemorrhage, glaucoma, cataract, anti-inflammation and myopia-related indications. Major products include Rui Zhu (polyvinyl alcohol eye drop), He Xue Ming Mu tablets, Fuming series, Bai Nei Ting, Jie Qi, Nuo Ming, etc.

Rui Zhu (polyvinyl alcohol eye drop) is a single-piece preservative-free artificial tears. Its unique tearing membrane polymerization effect can strengthen the role of mucin, nourish the eye surface, and resist external inflammatory factors, which plays a positive role in the prevention and treatment of dry eye. It is currently a first-line drug for the treatment of dry eye. It is recommended by experts such as the Expert Consensus on Prevention and Control of Cataract Surgery in China (2021)(《中國白內障圍手術期幹眼防治專家共識（2021 年）》), the Expert Consensus on Sterily Surgery in China (2020) (《中國幹眼專家共識（2020 年）》), the Expert Consensus on Refractive Surgery in Laser Corneal Surgery in China (2019) (《中國鐳射角膜屈光手術圍手術期用專家共識（2019 年）》), and the Expert Consensus on Diagnosis and Treatment of Functional Disorder of Bleacne in China (2017) (《我國瞼板腺功能障礙診斷與治療專家共識（2017 年）》). Rui Zhu has a good brand recognition and was awarded the China Well-known Trademark in 2017; 2016-2020 was awarded the C-Flex Gold Award for five consecutive years, namely the "Healthy China Brand List" and the "China Pharmaceutical Brand List" by Menet in 2021. The Group achieved good results in the promotion of prescription drugs and non-prescription drugs. At the same time, the Group strengthened the academic-driven development of e-commerce platforms to empower sales and maintain the steady growth of Rui Zhu.

He Xue Ming Mu tablet, which is produced by three classical formulae, namely the Siwutang (四物湯), Erzhiwan (二至丸和) and Shengpuhuangtang (生蒲黃湯) , has the functions of cooling blood hemostasis, moisturising dryness and removing blood stasis, and nourishing liver and eye-brightening, and is mainly used for the treatment of retinal hemorrhage caused by the cloudy liver and the heat-burn winding. Being the exclusive product in the PRC, the State Protected Chinese Medicine, the National Reimbursement Drug List (2021 edition) and the National Essential Drug List (2018 edition) for the last 20 years since its launch, the Group has accumulated a large number of clinical research data and application experience in the field of ocular hemorrhage, which has been included in a number of guidelines/consensus such as the Practical Ophthalmic Medicine. In 2021, the Chinese Association of Traditional Chinese Medicine published the Expert Consensus on Clinical Application of He Xue Ming Mu Tablets for the Treatment of Wet Age-related macular degeneration (《和血明目片治療濕性年齡相關性黃斑變性臨床應用專家共識》) , which provides valuable reference for clinical use of He Xue Ming Mu tablets, improves the clinical benefits of wet macular degeneration patients, and the sales of products continue to grow steadily.

For the year ended 31 December 2021, the revenue of the Group's ophthalmic products was approximately HK$1,063.23 million, representing a year-on-year increase of approximately 26.8% as compared to the revenue of approximately HK$838.67 million for the same period in 2020, among which, the revenue of Rui Zhu increased by approximately 34.7% and the revenue of He Xue Ming Mu tablets increased by approximately 32.6%.

Respiratory and ENT products

The main products include Qie Nuo (Eucalyptol, Limonene and Pinene Enteric Soft Capsules), Jinsang Series (Jinsang Kaiyin Tablet/Capsule/Pill/Granules, Jinsang Qingyin Tablet/Capsule/Pill/Granules, Jinsang Liyan Tablet/Capsule/Pill/Granules, Jinsang Sanjie

Tablet/Capsule/Pill/Granules), Nuo Tong, etc.

Qie Nuo is a soluble and phlegm-free drug for viscosity. For acute and chronic rhinosinusitis; respiratory diseases such as acute and chronic bronchitis, pneumonia, bronchial dilation, pulmonary abscess, chronic obstructive pulmonary disease, bacterial infection in the lungs, tuberculosis, and silica lungs; It can also be used for bronchoscopic angiography to facilitate the discharge of contrast medium. It is a national exclusive product independently developed by the Group. Adult wear and kidswear are applicable to adults and children respectively. It was included in the National Reimbursement Drug List in 2017 and the National Essential Drug List in 2018. In October 2021, the name of the product was changed from "桉檸蒎腸溶軟膠囊" to "桉檸蒎腸溶膠囊". In December 2021, the product was connected to the National Medical Insurance Pool. Currently, there are 11 guidelines and 12 expert consensus recommending the use of viscosity dissolving promotors for clinical use. Among them, 9 guidelines and 5 expert consensus explicitly recommend eucalyptus lympic enteric-coated capsules or its active ingredients for clinical treatment, such as the Diagnosis and Treatment Guidelines for Cough (2021) (《咳嗽的診斷與治療指南（2021）》), Guidelines for Rational Use of Drugs for Chronic COPD Primary Level (2020) (《慢性阻塞性肺疾病基層合理用藥指南（2020）》), Chinese Expert Consensus - Chinese Expert Consensus-Chinese (2015) on High-secretion Management of Gastrointestinal Adhesis for Chronic Gastropic Diseases (《慢性氣道炎症性疾病氣道黏液高分泌管理中國專家共識-中文版(2015)》), etc. The clinical status is prominent, and the level of recognition among doctors and patients is high, continuing to lead the market of oral cough relieving and phlegm relieving drugs. After the COVID-19 pandemic, the wearing of masks and the improvement of hygiene habits have reduced the incidence of respiratory diseases, and the growth of Qie Nuo sales has slowed down.

Jinsang Series Products are exclusive products nationwide, covering all the diseases of the throat, among which, Jinsang Sanjie Capsule has the effect of clearing heat and detoxification, activating blood stasis, moisturising phlegm, and is used for the formation of slow throat caused by heat and poisoning storage and airtight blood stasis (small knots with sound tapes, meat with sound tapes, thickening of mucous film with sound tapes and other conditions caused thereby. Jinsang Sanjie Capsule has been widely used in clinical application for more than 30 years since its launch, and is known as the "natural medicine surgical knife for the treatment of microtubules and sculptures". Jinsang Liyan Capsule has the effect of humidifying phlegm and relieving liver gas. It is the only Chinese patent medicine for the treatment of throat diseases caused by intraocular obstruction of liver depression and phlegm and humidification. It is also an ideal medicine for the treatment of pharyngeal symptoms in clinical operation, gastroesophageal reflux pharyngitis, and chronic and thick pharyngitis. Jinsang Kaiyin Capsule has the dual throat protection function of relieving wind and heat and throat, and is designed for the rapid effect of throat redness, swelling, heat, pain and hoarning caused by acute pharyngitis and acute pharyngitis. Several products have been included in the Guidelines for the Diagnosis and Treatment of Common Diseases in Otorhinolaryngology of China(《中國耳鼻咽喉科常見病診療指南》) issued by the Chinese Association of Traditional Chinese Medicine, the Clinical Drug Guidelines (《臨床用藥指南》) for the diagnosis and treatment of clinicians, the authoritative monographs of the Manual for Traditional Chinese Medicine of Common Eye, Otorhinolaryngology (《中國耳鼻咽喉科常見病診療指南》) and the Practical Otorhinolaryngology Head and Neck Surgery (《實用耳鼻咽喉頭頸外科學》), etc., and are included in a number of clinical pathways and expert diagnosis and treatment guidelines. In January 2022, the "Expert Consensus on the Clinical Application of Jinsang Sanjie Capsules for the Treatment of Small-knots and Wholesales"(《金嗓散結膠囊治療聲帶小結、聲帶息肉臨床應用專家共識》) issued by the Chinese Association of Traditional Chinese Medicine has also provided new support for the evidence-based development of Jinsang Sanjie products. Jinsang Sanjie and Jinsang Kaiyin Capsule were included in the NRDL in 2021, and Jinsang Kaiyin and Qingyin are dual cross-over products with both prescription and over-the-counter drugs. With the increase in production capacity, the expansion of clinical applications and the coverage of medical insurance, the sales of Jinsang Series Products increased rapidly.

For the year ended 31 December 2021, the Group's revenue from respiratory and ENT products amounted to approximately HK$1,706.33 million, representing a year-on-year increase of approximately 28.1% as compared to the revenue of approximately HK$1,331.69 million for the same period in 2020, of which the Qie Nuo increased by approximately 10.1% and the Jinsang Series increased by approximately 57.1%.

Cardiovascular emergency products

The Group's products mainly cover the fields of platelet inhibitors, blood pressure control, and vascular active drugs. The main products include Li Shu An (norepinephrine bitartrate injection, adrenaline hydrochloride injection), Xin Wei Ning (tirofiban hydrochloride and sodium chloride injection), Nuo Fu Kang (methoxamine hydrochloride injection) and Rui An Ji (fructose sodium diphosphate oral solution), etc.

Li Shu An, norepinephrine bitartrate injection, a booster drug, is used for blood pressure control in acute low blood pressure state, and can also be used for blood pressure maintenance after the sudden suspension and recovery of heart jump. The adrenaline hydrochloride injection is suitable for severe respiratory difficulties caused by bronchospasm, which can quickly relieve the allergic shock caused by drugs, and can also be used to extend the effect time of infiltrating anesthesia drugs. Major rescue medication for cardiopulmonary resuscitation caused by various reasons. Both products are included in the National Reimbursement Drug List and the National Essential Drug List, and the norepinephrine bitartrate injection with heavy tartrate passed the consistency evaluation for the first time in China in 2021. As an important first-aid medicine, the two products are recommended by a number of guidelines and expert consensus, such as the Expert Consensus on the Application of Vascular Pressure Drugs in Emergency Waike (2021) (《血管加壓藥物在急診休克中的應用專家共識（2021）》), the Expert Consensus on the Diagnosis and Treatment of Adult Heart Emergency in China (2021) (《成人心臟驟停後綜合征診斷和治療中國急診專家共識（2021）》, the Guidelines for the Treatment of Sepsis/Sepsis in Emergency in China (2018) (《中國膿毒症/膿毒性休克急診治療指南（2018）》), the Expert Consensus on Diagnosis and Treatment of Cardio Disorders in China (2018) (《心源性休克診斷和治療中國專家共識（2018）》), the Consensus of Chinese Emergency Experts on Diagnosis and Treatment of Traumatic Disorders in China (2017) (《創傷失血性休克診治中國急診專家共識（2017）》), the Guidelines for Diagnosis and Treatment of ESC Urgent and Chronic Heart Failure in 2016 (《2016 ESC 急、慢性心力衰竭診斷和治療指南》), and the Guidelines for Rational Use of Medication for Heart Failure (2nd Edition) (《心力衰竭合理用藥指南（第 2 版）》), and the clinical status of the products is remarkable. The Group's Li Shu An is well known for its brand and has achieved steady sales growth.

Xin Wei Ning, tirofiban hydrochloride and sodium chloride injection, is mainly used in acute myocardial infarction (STEMI) for adult patients and patients who plan to perform direct coronary angioplasty (PCI) procedures with electrocardiogram changes and/or the rise of myocardase who are not ST-stage elevated acute coronary syndrome (NSTE-ACS) within 12 hours of final chest pain. The product was approved for launch in 2004. It is China's first platelet surface glycoprotein GP II b/III a receptor antagonist and China's first intravenous antiplatelet drug. It was included in the NRDL in 2009. Currently, it has been recommended and applied by several authoritative guidelines and expert consensus, such as the Guidelines for Diagnosis and Treatment of Acute ST Section Elevation Myocardial Infarction (2019) (《急性 ST 段抬高型心肌梗死診斷和治療指南（2019）》), the Guidelines for Diagnosis and Treatment of Non-ST Section Elevation Acute Coronary Artery (2016) (《非 ST 段抬高型急性冠狀動脈綜合征診斷和治療指南(2016)》), the Guidelines for Rational Use of Drugs for Coronary Heart Disease (2nd Edition) (《冠心病合理用藥指南（第 2 版）》), and the Chinese Expert Consensus for the Treatment of IIb/IIIa Receptor Antagonist in Coronary Atherosclerosis (2016) (《血小板糖蛋白 Ⅱb/Ⅲa 受體拮抗劑在冠狀動脈粥樣硬化性心臟病治療的中國專家共識(2016)), which provides a strong guarantee for the prevention and control of acute thrombosis and the restoration of blood flow and perfusion of ACS patients in China. At the same time, the product also entered into the recommendation of the Expert Consensus on the Clinical Application of Tirofiban in Cerebral Conglomerate Diseases (《替羅非班在動脈粥樣硬化性腦血管疾病中的臨床應用專家共識》) issued by the China Stroke Association and other institutions at the end of 2019. The Group is also actively exploring its application value in the field of brain blood vessels.

Nuo Fu Kang, methoxamine hydrochloride injection, a booster drug, is used for the treatment of low blood pressure during general anesthesia, and can prevent the occurrence of abnormal heart rate, which can be used for low blood pressure induced by the internal obstruction of the vertebral tube. It is used to terminate arrays of ventricular hyperactivity. The product is the first generic of the Group in China, and has been launched for more than 30 years. It has been recommended and used by guidelines and expert consensus, including the Guiding Opinions on the Management of Peripheral Anesthesia in Chinese Geriatric Patients (2014/2017/2020) (《中國老年患者圍術期麻醉管理指導意見(2014/2017/2020)》), the Expert Consensus on the Management of Interventional Anesthesia in Intracranial Diseases in China (2016) (《中國顱腦疾病介入治療麻醉管理專家共識

(2016)》), the Expert Consensus on the Application of α 1 Nephrolimus-based receptor agonist during the Peripheral Operation Period (2017Edition) (《α1腎上腺素能受體激動劑圍術期應用專家共識(2017 版) 》), the Expert Consensus on Anesthesia in Chinese Industry (2018/2020) (《中國產科麻醉專家共識（2018/2020）》), and the Consensus on the Clinical Management of Chinese Experts in the Peripheral Anesthesia Period of Non-cardiac Surgery in Patients (2020) (2020《心臟病患者非心臟手術圍麻醉期中國專家臨床管理共識（2020 年）》).

Rui An Ji, fructose sodium diphosphate oral solution, which is mainly used for the treatment of angina pectoris of coronary heart disease, acute myocardial infarction, arrhythmia and heart failure, and viral myocarditis; It is used for brain ischemic symptoms caused by cerebral infarction and cerebral hemorrhage. It was included in the Diagnosis and Treatment Suggestions for Children's Heart Failure (2020 Revision) (《兒童心力衰竭診斷和治療建議（2020 年修訂版）》), National Expert Consensus on Prevention and Treatment of Burst and shock (2020 Edition) (《燒傷休克防治全國專家共識（2020 版）》), "National Prescription Set in China(《中國國家處方集》), "Zhufutang Practical Pediatrics (8th Edition) (《諸福棠實用兒科學》第八版) and Pediatric Therapeutic School (2nd Edition) (《兒科治療學》第 2 版). It was mainly recommended for the treatment of cardiovascular diseases such as heart failure and viral myocarditis, which effectively helped patients improve their myocardial energy metabolism and improve their cardiac functions.

For the year ended 31 December 2021, the revenue of the Group's cerebro-cardiovascular emergency chemical drug preparation products was approximately HK$1,872.03 million, representing an increase of approximately 32.7% as compared to HK$1,410.97 million for the corresponding period in 2020, among which the revenue of four core products, namely Li Shu An, Nuo Fu Kang, Xin Wei Ning and Rui An Ji, amounted to approximately HK$1,833.01 million in aggregate, representing an increase of approximately 34.4% as compared to HK$1,363.58 million for the corresponding period in 2020.

Medical devices

The Group's medical device products mainly cover coronary intervention and peripheral vascular intervention treatment. In October 2019 and April 2020, the Group launched two high-end drug-coating balloon RESTORE DEB and APERTO OTW in China, respectively. The two drug-coating balloon products adopt the unique patented SAFEPAX technology. Both drug-coating products are stable, with small decay rate and strong product competitiveness. After more than two years of clinical use, the product has been recognized by clinical doctors and patients and good market reputation.

RESTORE DEB, a coronary drug-coating balloon, is currently the only drug-coating balloon with the dual indications of original coronary artery disease mutation and stent restenosis. Its clinical research results were published in the important journal "JACC (Journal of the American College of Cardiology) Cardiovascular Interventions" in the field of cardiovascular disease, and its clinical status was also affirmed in the guidelines and expert consensus such as the Guidelines for Diagnosis and Treatment of Transdermal Coronary Artery (中國經皮冠狀動脈介入治療指南) and the Chinese Expert Consensus on Clinical Application of Drug Coated Balloon (藥物塗層球囊臨床應用中國專家共識).

APERTO OTW is the first drug-coating balloon for the indication of arteriovenous fistula stenosis in dialysis patients. This product has the dual characteristics of high pressure resistance and drug coating. Compared with ordinary high pressure balloon, APERTO OTW has a significant advantage in the passing rate of target lesions for six months after surgery, which will greatly contribute to the extension of the life time of fistula and the improvement of the quality of life of dialysis patients. Its clinical research results are published in American Journal of Kidney Diseases, an important journal in the field of kidney disease treatment.

For the year ended 31 December 2021, the Group's revenue from medical devices was approximately HK$272.37 million, representing an increase of approximately 211% as compared to HK$87.46 million for the corresponding period in 2020.

BIO-TECHNOLOGY PRODUCTS AND HEALTH PRODUCTS

The Group's biotechnology products and health products mainly include amino acids, bio-pesticides, bio-feed additives, etc. During the Year, the revenue of biotechnology products and healthcare products was approximately HK$2,231.46 million, representing an increase of approximately 48.5% as compared

to HK$1,503.08 million for the corresponding period in 2020.

Under the guidance of the business philosophy of "new technology, high quality, industrial chain and internationalization", the Group has been deeply engaged in the amino acid industry for many years, and has developed into one of the world's leading enterprises that produce high-quality amino acid products on a large-scale basis through biological manufacturing. The Group is committed to serving the biotechnology big health industry by producing high-quality amino acid products. At present, the production capacity of the Group's core amino acid product, Taurine, ranks second in the world, and the production capacity of Cysteine series ranks first in the world. Benefiting from the continuous expansion of the international business and the general health business, the revenue of the Group's amino acid products (including Taurine products) increased by approximately 54.5% from HK$1,178.63 million for the corresponding period in 2020 to approximately HK$1,820.92 million; the revenue of bio-pesticides and bio-feed additives related products also recorded an increase of approximately 21.8%.

SPECIALIZED PHARMACEUTICAL RAW MATERIALS AND OTHER PRODUCTS

Specialized pharmaceutical ingredients and other products are the relatively stable segment among the product segments of the Group. As an important part of the front end of the integrated supply chain of pharmaceutical ingredients and products, the Group has always been proactively improving technology level and product quality, reforming the product production technology to increase efficiency, and adjusting the product matrix to enhance market competitiveness and improve economic efficiency. During the year, the relevant revenue of this segment was approximately HK$989.37 million, representing an increase of approximately 28.8% as compared to HK$768.09 million for the corresponding period in 2020.

Distribution Costs and Administrative Expenses

For the year ended 31 December 2021, the distribution costs and administrative expenses of the Group were approximately HK$2,397.85 million and HK$909.62 million respectively, as compared to approximately HK$1,860.08 million and HK$685.24 million respectively for the corresponding period in 2020. The increase in distribution costs was mainly due to the fact that the market development and team expansion of sales representatives have returned to normal operation during the Year. The distribution costs accounted for approximately 27.9% of the revenue for the Year, which approximated to 29.3% for the corresponding period in 2020. As the Group's business expanded, the overall administrative expenses recorded an increase of approximately 32.7% as compared to the corresponding period in 2020.

Finance Costs

For the year ended 31 December 2021, the Group's finance costs amounted to approximately HK$92.96 million as compared to approximately HK$115.42 million for the corresponding period in 2020. During the Year, the Group continuously adjusted its loan portfolio, resulting in a decrease of approximately 19.5% in the overall finance costs.

Research and Development and Project Investment

The Group invested a large amount of funds for the pre-clinical research, clinical trials, listing and registration phases of research projects, which generated a total of HK$331.42 million in the research and development expenses for the year ended 31 December 2021. If the advance payment and other contributions for new projects is added, the total investment in research and development and various projects of the Group amounted to over HK$2.3 billion in 2021.

Receivables and Payables

As at 31 December 2021, the trade and other receivables of the Group amounted to approximately HK$2,661.45 million, representing an increase of approximately HK$767.29 million as compared to the balance in 2020. The main reason of such increment is mainly due to the increase of business scope during this period, resulting in an increase of approximately HK$289.03 million in the trade and bills receivables. Also the prepayment amount increased by approximately HK$379.37 million mainly related to the deposit payment and milestone payment of various projects including (but not limited to) Conavi Medical Inc. project, Cardio Focus project, ALK project and Formosa project, etc. amounted to approximately HK$199.01 million. Also it was paid approximately HK$155.49 million to Natixis as deposit for the Sirtex HoldCo project. The details of these projects are stated in the sections below. The

details of these projects are stated in the sections below.

As at 31 December 2021, the trade and other payables of the Group amounted to approximately HK$2,871.76 million, representing an increase of approximately HK$732.31 million as compared to the balance in 2020. The main reason of such increment is mainly due to the increase of business scope during this period, resulting in an increase of approximately HK$72.01 million in the trade and bills payables. Furthermore, in order to cope with the expansion of business scope, the accrued selling and operating expenses increased by approximately HK$305.74 million.

Research and Development

The Group is one of the earliest domestic pharmaceutical companies that have performed transformation of technological innovation and internationalization, devoting itself to building a system of innovative R&D and outstanding talents. The Group has formed a unique layout and concept of technological innovation and development via active cooperation with the world-leading pharmaceutical companies, universities and scientific research institutions. In line with the strategic concepts of international layout, differentiated innovation and professional development for core therapeutic areas, the Group has formed a product layout which focuses on four major segments, including cerebro-cardiovascular precision interventional diagnosis and treatment, tumor treatment, severe disease and anti-infection and respiratory and ENT. At present, the Group has sufficient and reasonable R&D pipelines comprised of 106 projects under research and 43 innovative projects, involving in different stages from pre-clinical to new drug application, and thus forming a good echelon effect.

Along with the high-level R&D capability, during the Year, the Group obtained manufacturing approvals for 21 projects and applied for launching application for 8 projects, obtained clinical research approvals for 10 innovative projects and applied for clinical trial for 5 projects, achieving numerous milestones.

Innovative R&D Pipeline

- **Cerebro-cardiovascular Precise Intervention**

  The field of cerebro-cardiovascular precision intervention diagnosis and treatment is one of the core strategic areas of the Group the Group is committed to building an international leading platform for precision interventional diagnosis and treatment platform. It has 10 innovative products thoroughly covering coronary artery intervention, peripheral vascular intervention, neurological intervention, structural cardiac disease, electrophysiology and heart failure and complete the comprehensive layout for 6 core strategic markets. Among which, two products for coronary artery and pheripheral vascular intervention were approved to launch and other products are underway orderly.

  In the field of coronary artery intervention and peripheral vascular intervention treatment, the Group adapts the treatment concept of "intervention without implantation" and has three drug-coating balloon products and one shock wave therapy system against vascular calcification. Post-marketing clinical study for RESTORE DEB, coronary drug-coating balloon, and APERTO OTW, drug coating balloon, which have been launched, commenced successfully. In addition, the product LEGFLOW OTW for peripheral vascular diseases has also entered into clinical research stage and is expected to be launched in 2024. In the field of vascular calcification treatment, the Group has been developing a shock wave therapy system, which is an innovative medical device for the treatment of moderate or severe arterial calcification. It is the latest generation of vascular calcification therapy, which destroys superficial and deep calcification in affected areas by shock wave without causing soft issue injuries in the inside of blood vessel and vascular intima.

  In the field of coronary artery intervention, the Group's global innovative product, NOVASIGHT Hybrid, combines intravascular ultrasound/optical coherence tomography and can simultaneously show the ultrasound and optical image with the same direction, axis and phase. It is also the first intravascular ultrasound/optical coherence tomography system approved by the Food and Drug Administration of the United States ("**FDA**") with promising prospect in the field of coronary artery imaging and intracavitary interventional surgery. This product has already been launched in the United States, Canada and Japan, and was enrolled in the special review approval process of innovative medical device in 2019 for registration in China. Currently, the product has completed the clinical stage and is expected to obtain the approval for launch from the PRC in 2022.

  In the field of neurointervention, the Group has a stent retriever product against ischemic stroke,

LONG. With reference of mature interventional technology and stent of coronary and peripheral, neurological stent retriever can extend an ischemic stroke patient's treatment window from 6 hours to 24 hours of drug treatment, becoming a new clinical method for treating cerebral stroke. Such product is a critical step for the achievement of the Group's target of "treating the heart and brain with the same therapeutic method". Currently, the product is in the pre-clinical research stage and has entered into clinical stage in 2021 and it is anticipated to obtain the approval for launch from the PRC in 2024.

In terms of structural cardiac disease, the Group has deployed Saturn, a global innovative medical device, for mitral valve replacement, which implanted by transseptal intervention, which minimizes surgical trauma and shortens postoperative recovery time. Its innovative combination of annulus reconstruction technology and valve replacement technology will improve the adaptability of the device and will be suitable for various mitral valve structures. Currently, the product is under development stage.

In the field of electrophysiology, the Group has HeartLight X3 laser ablation platform, an innovative medical device for the treatment of atrial fibrillation. It is the latest generation of atrial fibrillation ablation platform equipped with the point-to-point adjustable energy precise ablation characteristics of traditional radiofrequency catheter ablation, and at the same time having the characteristics of simple operation and short procedure time of cryoablation, while greatly reducing the dependence on the operator. HeartLight X3 has been approved for commercialization in the United States in May 2020. It is the only product in the world that can achieve circumferential ablation by laser in the treatment of atrial fibrillation. The preparation for launching the project in the PRC is underway.

In the field of heart failure, the Group will work with an innovative medical device company incubated by Yale University to develop CoRISMA, a transcatheter implantation medical device for patients with stage three and final stage of heart failure, which is powered with the world advanced wireless energy transmission technology to provide, through minimally invasive surgery, less traumatic, highly safe and less postoperative complications treatment without exposure to infection from power cord. Currently, the product is under development stage.

- **Anti-tumor**

The Group's comprehensive layout in the tumor field reflects the forward-looking, technological and innovative concepts of tumor treatment On the one hand, taking SIR-Spheres® Y-90 microsphere injection as the core, systematically develop RDC products and establish a radiopharmaceutical diagnosis and treatment platform. On the other hand, it creates new tumor immunotherapy products, such as oncolytic viruses, DNA immunotherapy and mRNA tumor vaccines, etc., to solve the ineffectiveness and drug resistance of tumor immunotherapy. Currently, 16 global innovative products have been reserved, covering 13 cancer types including liver cancer, prostate cancer, and colorectal cancer, involving tumor intervention, RDC drugs and immunotherapy. Through the product portfolio, the Group expands into internal medicine, surgery, interventional medicine, nuclear medicine and other departments to form a multi-disciplinary synergy so that tumor treatment products can serve patients in different areas and departments At present, SIR-Spheres® Y-90 microsphere injection, a blockbuster product for tumor intervention, has been approved for launching, and the launch of other products is also in progress

SIR-Spheres® Y-90 microsphere injection is the key product of the field of tumor intervention of the Group. It is the only product in the world for the selective internal radiation therapy "SIRT" for colorectal cancer liver metastases, which has been used by over 120,000 people in 50 countries and regions around the world. It is recommended in the treatment guidelines of numerous international authoritative organizations, including the National Comprehensive Cancer Network (NCCN), the European Society for Medical Oncology Guidelines (ESMO), the European Association for the Study of the Liver (EASL), the National Institute for Health and Care Excellence in the United Kingdom (NICE), etc. and has been included in sseveral authoritative clinical practice guidelines in China, including the "Guidelines for Diagnosis and Treatment of Primary Liver Cancer (2022 edition)" (《原發性肝癌診療指南（2022 版）》), "Chinese Guidelines for Diagnosis and Comprehensive Treatment of Colorectal Cancer Liver Metastases (2018 edition)" (《中國結直腸癌肝轉移診斷和綜合治療指南（2018 版）》), "Clinical Practice Guidelines for Liver Cancer and Liver Transplantation in China (2018 edition)" (《中國肝癌肝移植臨床實踐指南(2018 版)》), etc.. SIR-Spheres® Y-90 microsphere injection has been officially granted a drug registration certificate by NMPA in February 2022, which can be used for the treatment of patients with unresectable

colorectal liver metastases who have failed to respond to the standard therapy. During the Reported Period, outstanding progress was achieved in overseas R&D and market exploration. In March 2021, SIR-Spheres® Y-90 resin microspheres were recommended by National Institute for Health and Care Excellence (NICE). In the same month, the FDA in the United States approved to conduct clinical trials of SIR-Spheres® Y-90 resin microspheres on primary liver cancer (HCC) and the first patient was dosed in May.

In the field of tumor intervention, the Group also has a thermosensitive embolic agent for the treatment of liver cancer, which is a tumor treatment product that has been granted innovative medical devices by NMPA in the PRC. At room temperature, the gel has good fluidity. After being delivered to the blood vessels of the diseased tissue through the microcatheter, the gel forms in-situ gel from the peripheral blood vessel to the main supply vessel at body temperature, realizing the embolization of the blod vessel in diseased tissue. It is suitable for embolic treatment of various hypervascular parenchymal organs tumors, especially for the liver hypervascular benign, moderate and malignant tumors. Due to the drug-loading characteristic of this product, it will be possible to jointly launch a new combination product with SIR-Spheres® Y-90 resin microspheres in the future to expand the scope of application of single product. Currently, the preclinical development is underway.

In the field of RDC, the Group has obtained the rights of 9 RDC products, during such period, significant progress has been achieved for various products. In June 2021, first patient was dosed with TLX591-CDx in Japan, which was approved for launching in the United States and Australia in December, with special authorization in Brazil to allow pre-approval sales, and launching application for the product has been filed in 17 countries;TLX591 was approved for phase III clinical trials in Australia in June 2021; in July 2021, first patient with the expanding indication bladder cancer was dosed with TLX250-CDx in Australia, while phase III clinical trials for clear cell renal cell carcinoma progressed smoothly, and 95% of patients were enrolled within the year; in December 2021, the Group cooperated with ITM to obtain the exclusive rights to develop, manufacture and commercialize three RDC products of TOCscan®, ITM-11 and ITM-41 in the Greater China region. TOCscan® have been approved for launching in Germany, Austria, and France , and ITM-11 and ITM-41 have entered phase III clinical trials and phase I clinical trials respectively overseas. The preparation work for introducing 9 products to China is progressing smoothly.

In the field of tumor immunotherapy, TAVO™ of the Group, the first world's first gene immunotherapy product, applies electroporation delivery system to inject DNA-based interleukin-12 ("**IL-12**"). IL-12 has immune stimulation to turn the immunologically cold tumors (non-responding) into hot tumors (responding). TAVO™ was granted Fast Track designation by the FDA in 2017 and as an orphan drug for the treatment of unresectable metastatic melanoma. Currently, a registration-enabled phase IIb clinical trial for the treatment of anti-PD-1 checkpoint resistant metastatic melanoma in form of combination with anti-PD-1 drug KEYTRUDA® (Generic name: pembrolizumab) is progressing smoothly and is expected to complete at the end of 2022. In April 2021, OncoSec received the CE mark certification from EU for its gene electrotransfer device GenPulse™; in July 2021, OncoSec entered into a collaboration agreement with Merck & Co., Inc. (known as MSD outside the United States and Canada) (NYSE: MRK) for a pivotal global phase III study of TAVO™ combined with KEYTRUDA® for late-stage metastatic melanoma. Clinical studies on indications such as TAVO™ against triple-negative breast cancer and squamous cell carcinoma is undergoing steadily.

The Group also deployed tumor immunotherapy products on the mRNA platform. The Group's mRNA platform AuroRNA Biotech has R&D and production platforms with advanced mRNA technology and LNP technology for tumor immunotherapy as well as research, development and production of mRNA vaccine for infectious disease. During the Reporting Period, AuroRNA Biotech has completed the construction of the mRNA R&D and production platform, which was officially put into use. AuroRNA Biotech has a global innovative mRNA product for HPV-positive head and neck cancer. By triggering an adoptive immune response in the body, it can be used in combination with existing tumor immune checkpoint inhibitor to effectively increase the response rate of patients with cancer and improve their clinical prognosis. The product is currently in the pre-clinical development stage.

In order to strengthen further in-depth cultivation of the tumor immunity field, the Group also has a worldwide innovative Vesicular Stomatitis Oncolytic Virus product (VSV-GPM) REV-001 for the treatment of colorectal cancer. This product is the only oncolytic virus that does not insert

exogenous genes, where the genetically modified virus enhances the selectivity of tumor cells, but is less toxic to normal cells. In addition, the virus genes will not be integrated into the human cell genomes and has no risk of genotoxicity with higher safety. REV-001 targets the RAS protein of refractory tumors. Refractory tumors with this target have high incidence rate, high malignancy and high fatality rate. Currently, there is no effective treatment method for the targeted refractory tumors. The product is currently in the pre-clinical development stage.

- **Severe Disease and Anti-infection**

  For the severe disease and anti-infection field, based on the in-depth exploration of unsatisfied clinical needs, the Group has forward-looking layout in respect of sepsis, ARDS, COVID-19, viral infections, anaphylaxis and other diseases that pose a major threat to human health and currently has four global innovative drugs with new mechanisms of action in the research pipeline.

  The clinical progress of STC3141, a world-wide innovative drug for the treatment of sepsis, was rapid. The phase II clinical research, for the treatment of ARDS caused by COVID-19 infection and phase Ib clinical research for the treatment of sepsis were approved to commence in Australia in May 2020 and first patient was dosed in December 2020; approval from NMPA to commence the phase Ib clinical trial for treatment of ARDS patients was obtained in early March 2021, and the first patient was dosed in November 2021; from April to October 2021, the phase IIa clinical trial for treatment of severe COVID-19 patients was approved in Belgium, Poland and the United Kingdom. Enrollment and dosing of all patients were completed in December 2021, and follow-up work for all patients was completed in January 2022. Preliminary data indicates good mortality and regression rates for patients with serious illness. At present, the project has obtained six clinical approvals for four indications of sepsis, ARDS, severe COVID-19, and ARDS caused by COVID-19 on three continents and in five countries namely China, Australia, Belgium, the United Kingdom and Poland, and clinical trials in several international centers are in full progress.

  APAD, another drug of the Group for the treatment of sepsis, has undergone compound screening and is in the pre-clinical development stage currently. APAD can antagonize a variety of pathogen-related molecules, and can treat sepsis caused by bacterial and viral infections. It is complementary to the STC3141 on antagonizing the excessive immune response of the body to treat sepsis, which brings along with synergy for the treatment of severe sepsis patients.

  A global innovative small molecule compound based on protein structure design with a clear mechanism of action is jointly developing by the Group and Griffith University in Australia, which is currently in the stage of compound screening.

  In the field of anaphylaxis, the Group has deployed a pre-filled adrenaline automatic injection pen, which is a one-off automatic syringe embedded with the sterile solution of adrenaline. By urgently injecting single-dose adrenaline to the outside of the leg muscle (muscle injection), the product can urgently treat sudden and life-threatening anaphylaxis caused by insect bites, food, drugs or exercise. At present, the product has been launched in Europe, Korea and Hong Kong, China, and the registration work in mainland China is actively progressing.

- **Respiratory and ENT**

  Respiratory and ENT are the traditional fields of strength of the Group. In order to further strengthen the innovation reserve in this field, consolidate its dominant position in the market and enhance its competitiveness, the Group has deployed four innovative drugs in this field.

  BRM421 is small molecule peptide eye drops for the treatment of dry eye disease that can accelerate the division and proliferation of limbal stem cells, and in turn stimulate the repair of ocular surface for curing the dry eye disease. According to the Phase II clinical study data completed in the United States, compared to the therapeutic products for dry eye disease that are currently available in overseas market and are expected to be launched in China in the coming years such as cyclosporine eye drops, the BRM421 product has high safety and low irritation, as well as the potential to quickly alleviate the symptoms of dry eye disease within two weeks. Currently, the product is under steady progress of registration in the PRC.

  The CBT-001 product for the treatment of pterygium, is an innovative and improvement from an existing drug, Nintedanib, which is used for the treatment of pulmonary fibrosis. It inhibits neovascularization and tissue fibrosis. Currently, phase II clinical trials have been completed in the

United States with high safety and significant clinical efficacy, which can inhibit the growth of pterygium and control the aggravation of the disease. The global phase III clinical trial for CBT-001 will commence in 2022 and its registration work is undergoing steadily in the PRC.

Ryaltris is a new type of glucocorticoid and antihistamine compound nasal spray for the treatment of seasonal allergic rhinitis. Currently, the product has been approved for launching in countries and regions such as Australia, South Korea, Russia and the European Union. Its launch application has been filed in the United States. For registration in China, phase III clinical trial for the treatment of allergic rhinitis and rhinoconjunctivitis symptoms in patients aged 12 years and above was approved in October 2021.

APP13007, the exclusive development and commercialization rights of an improved new drug hormone nano-suspension eye drops for anti-inflammatory and pain relief after ophthalmology surgery, is a potent glucocorticoid developed by Formosa, Inc, which has efficient local anti-inflammatory and strong capillary contraction effect and uses a unique nano-preparation technique to eliminate the risk of low bioavailability and safety due to the low water solubility of hormones products. The completed phase II clinical trial in the United States has shown that the product has good effectiveness and safety at lower concentrations. Currently, the registration work in the PRC is underway.

R&D Center

The Group has made a global R&D layout with a positive and open attitude and has achieved phased results. In terms of drugs, the Group has established four R&D technology platforms around the world: RDC technology platform, DNA R&D technology platform, mRNA R&D technology platform and Glycomics R&D technology platform; established five R&D centers: Wuhan Optics Valley International R&D Center, which is led by polypeptide histology and pharmaceutical platform, and provides technical support for the R&D of the Group's high-end preparations; and four overseas R&D centers: San Diego R&D Center-Immunotherapy (DNA Technology) Antitumor, Boston R&D Center - Precision Interventional Antitumor, Belgium R&D Center - mRNA and Australia R&D Center – Severe Disease and Anti-Infection, which are to carry out the early development of global innovative products and undertake the overseas clinical research and promotion of innovative products.

For medical devices, the Group has set up overseas R&D platforms and production bases in North America and Europe to continuously develop innovative products. The Group has established research and development and production bases for passive products and active products in Changzhou, China and Wuhan Optics Valley, respectively. The research and development and production bases in Changzhou have been put into use, and the research and development and production bases in Wuhan Optics Valley are expected to be officially put into use in 2022, continuously consolidating the research and development and production capacity in China.

R&D Team

As a technology-based innovative pharmaceutical enterprise, the Group has long been committed to building a high-end innovative R&D talent system to promote the global development of innovative projects. At present, the Group, together with its associates, has a total of 643 R&D personnel (including overseas R&D teams such as Sirtex and OncoSec), representing an increase of 22% as compared with the same period of last year, of which 383 have master's degree and doctoral degree holders, accounting for nearly 60%, and more than 30 are internationally renowned scientists. All professional leaders and core team members of each segment have academic background in clinical medicine or pharmacy, while some of whom also have overseas education or working experience.

Development of Generic Drugs

During the period under review, Bimatoprost Eye Drops, Lafutidine Tablets, Tertiary Sulfate Injection and Tadalafil Tablets obtained drug registration certificates issued by the NMPA, among which, Bimatoprost Eye Drops, Lafurt Tablets and Tertiary Sulfate Injection were approved for marketing as first-to-market generic drugs.

Consistency Evaluation

During the period under review, indapamide tablets, metoprolol tartrate tablets, tirofiban hydrochloride and sodium chloride injection, norepinephrine bitartrate injection, adrenaline hydrochloride injection,

nimesulide tablets and bromhexine hydrochloride injection were approved to pass the consistency evaluation. In particular, the first drug of norepinephrine bitartrate injection and nimesulide tablets passed the consistency evaluation, and new applications were made for succinylchloline chloride (anhydrous) injection, amiodarone hydrochloride injection, fluorouracil injection, Warfarin Sodium Tablets, Di Gao Xin injection, QIMAITEhydrochloride injection, Zuo Xi Meng Dan injection, dobutamine hydrochloride injection and moxifloxacin hydrochloride eye drops. At present, a total of 17 products of the Group have been approved or deemed to have passed the Consistency Evaluation, and another 13 products are under review.

Intellectual Property Protection

During the period under review, the Group applied for 67 new patents, including 14 core patent applications and 97 new patents, 43 of which were invention patents, accounting for 44.3%. The Group has accumulated 480 valid patents, including 261 invention patents and 219 utility model patents and design patents. Among them, the new PCT patent applications for relevant indications of STC3141 project entered 13 countries and regions including the United States, Europe, China, Japan, Australia, etc.; 4 new core patents and 2 PCT patent applications for innovative projects such as APAD, parainfluenza, BRM421, etc.; 45 patents were independently developed or licensed from third parties in the high-end medical device segment, including 25 core patent applications and 28 patents granted, covering China, the United States, Europe, Japan, South Korea and other markets; 12 new patent applications were filed in the immuno-oncology segment (including controlled or invested enterprises); In the biological segment, 13 new patent applications were filed, including 7 core patents and 1 PCT patent application. A total of 110 effective patents were filed, including 70 invention patent applications and 12 PCT applications.

Commercialization capability

The Group's performance continued to improve, and the continuous launch of innovative products and profit contribution cannot be separated from the continuous improvement of commercialization capabilities. The Group currently has nearly 3,500 sales personnel, more than 3,100 sales personnel in traditional advantageous areas, covering nearly 17,000 hospitals and approximately 260,000 pharmacies across the country; 110 sales personnel in the innovative medical device segment, covering nearly 700 hospitals; The nuclear medicine segment has a total of 228 sales personnel worldwide, and is actively carrying out the hospital admission and hospital coverage of SIR-Spheres®Y-90 microsphere injection.

Material investment, M&A and Cooperation

During 2021 and up to the date of this announcement, the Group continued to implement the development strategy of "self-development + global expansion", further exploring high-quality innovative projects around the world to expand the Group's product pipeline and enhance the Group's comprehensive strengths, and putting vigorous efforts in transformation towards innovation and internationalization. As of the date of this announcement, the Group has carried out the following material investment, M&A and cooperation:

- **Acquisition of East Ocean Medical**

  In February 2021, the Group entered into a share purchase agreement with East Ocean Capital (Hong Kong) Limited, pursuant to which the Group acquired 752 shares of East Ocean Medical (Hong Kong) Limited ("**East Ocean Medical**"), representing approximately 50.13% of its total issued share capital, for USD12 million. Upon completion of the share purchase agreement, East Ocean Medical became a wholly owned subsidiary of the Group. The principal assets of East Ocean Medical are the 20-year exclusive agency rights for products of Conavi Medical Inc., such as "Novasight Hybrid" series and "Foresight ICE" series in regions such as Mainland China, Hong Kong, Macau and Taiwan. The acquisition of East Ocean Medical is in line with the Group's layout and planning of building a world-leading cardio-cerebral vascular precision interventional diagnosis and treatment platform, which is conducive to the Group's integration of diagnosis and treatment in the field of precision intervention.

- **Acquisition of Shenming Medical and obtaining all development and commercialization rights of an innovative thermosensitive embolic agent**

  In May 2021, the Group entered into an equity transfer agreement with Jiangsu Shenming Medical Technology Co., Ltd. ("**Shenming Medical**"), pursuant to which, the Group acquired 100% equity

interest in Shenming Medical at a consideration of RMB 8.6 million upon satisfaction of the relevant conditions, and obtained all the development and commercialization rights of the temperature-sensitive embolic agent developed by Shenming Medical for the treatment of liver cancer and the subsequent development of gel products. The investment will further improve the Group's layout in the field of tumor intervention.

- **Obtained exclusive commercialization rights for the new generation of innovative medical device HeartLight X3 laser ablation platform**

  In May 2021, the Group entered into a cooperation and exclusive product licensing agreement with Cardio Focus, Inc. ("**Cardio Focus**") in the United States. With a milestone payment of not more than USD20 million and a certain percentage of sales commission, the Group introduced the exclusive commercialization rights and conditional core technology transfer rights of the new generation HeartLight X3 laser ablation platform product of Cardio Focus for HeartLight®Endoscopic Ablation System, an innovative medical device for treating atrial fibrillation, in mainland China, Hong Kong and Macau, as well as the priority cooperation rights of Cardio Focus for other products in the licensed territory. HeartLight X3 is another global innovative product introduced by the Group in the field of cerebro-cardiovascular precision intervention and is an important strategic plan of the Group in building a world-leading cerebro-cardiovascular precision interventional diagnosis and treatment platform.

- **Obtained exclusive development and commercialization rights of an improved new drug hormone nanosuspension eye drop for anti-inflammatory and analgesic after ophthalmology surgery**

  In June 2021, the Group entered into an exclusive product licensing agreement with Formosa. The Group obtained the exclusive development and commercialization rights of APP13007 developed by TFDA in mainland China, Hong Kong and Macau for anti-inflammatory and analgesic after ophthalmology surgery, with milestone payments of up to USD9.5 million and certain percentage of sales commission. The cooperation with Formosa this time has not only introduced a product for the treatment of ocular inflammation in the ophthalmology sector, but also further enriched the product pipeline of high-barrier drugs in the ophthalmology sector, providing strategic reserves for the Group's medium and long-term development.

- **Increase in shareholding in Sirtex Holdco**

  In July 2021, Grand Decade Developments Limited ("**Grand Decade**"), a wholly-owned subsidiary of the Group, entered into an equity subscription agreement with Natixis ("**Natixis**") and Grand Pharma Sphere Pte Ltd. ("**Sirtex HoldCo**"), pursuant to which Grand Decade subscribed for 84,704,650 shares allotted by Sirtex HoldCo at a consideration of USD100,000,000. In August 2021, Natixis further entered into the Second Subscription Agreement with Sirtex HoldCo. Upon completion of both transactions, the Sirtex HoldCo Shares were effectively owned as to approximately 56.84% by Grand Decade. Through these two subscriptions, Sirtex will be able to reduce its net liabilities and facilitate the full development of its business.

- **Acquisition of shares in Wuhan Grand Hoyo Company Limited**

  In July 2021, the Group entered into an acquisition agreement with Wuhan Sanzhen Industry Holding Co., Ltd. to acquire 10% equity interest in Wuhan Grand Hoyo Company Limited ("**Grand Hoyo**") at an aggregate consideration of RMB 51,980,000. The Acquisition will enable the Group to increase its equity interest in Grand Hoyo and consolidate its control over the Target Company to become one of the most competitive amino acid manufacturers in the PRC.

- **Joint development of a global innovative intravascular shock wave calcification treatment system and establishment of overseas R&D platform in the field of cerebro-cardiovascular precision interventional devices with FastWave**

  In August 2021, the Group entered into a series of investment and strategic cooperation agreements with FastWave in the United States, pursuant to which the Group will acquire 100% equity interest in FastWave in stages for a total consideration of up to USD72 million, and will invest up to USD8 million to support and cooperate in the development of an innovative medical device for the treatment of moderate and severe arterial calcification, namely the endovascular seismic wave calcification treatment system. In addition, FastWave is expected to become a wholly-owned

subsidiary of the Group in the field of cerebro-cardiovascular precision interventional devices and an overseas high-end innovative medical device R&D platform upon satisfaction of relevant conditions.

- **Introduction of Jext® pre-filled epinephrine auto-injector from ALK**

  In August 2021, the Group entered into an exclusive product license agreement with Denmark based ALK-Abelló A/S ("**ALK**"). The Group has obtained long-term exclusive commercialization rights of Jext® pre-filled epinephrine auto-injector developed by ALK for the treatment of anaphylaxis in mainland China, Macau and Taiwan for a total down-payment and milestone fees of EUR 12 million. Introduction of such product will fill the gap in the domestic market and achieve rapid treatment for patients with anaphylaxis.

- **Introduction of a world innovative system for the treatment of heart failure from CoRISMA**

  In August 2021, the Group formed strategic partnership in respect of the equity interests and product with U.S. based CoRISMA MCS Systems, Inc ("**CoRISMA**"). The Group will acquire approximately 22.2% equity interests in CoRISMA at aconsideration of USD12 million through different tranches. Subsequently, the Group will make further investment to obtain the exclusive development, manufacturing and commercialization rights of a series of CoRISMA's products, the innovative medical device for the treatment of heart failure, in Greater China Region (including Mainland China, Hong Kong, Macau and Taiwan) and various countries and regions in Southeast Asia, and facilitate the launch of relevant products in Authorized Regions. CoRISMA, founded in 2018, is an innovative medical device company that incubated by the Bonde Artificial Heart Laboratory at Yale University, is focused on the development of global innovative medical devices for patients with severe heart failure. Certain equity interests of CoRISMA are held by the Yale University. The joint founder of CoRISMA, Professor Pramod Bonde, is a cardiac surgeon of Yale New Haven Hospital and is leading researcher in the field treatment of heart failure. The transaction will also enhance the cooperation between the Group and worldwide leading education institutions like Yale University.

- **Acquisition of 80% equity interest in Huachen Biotech for the development of glycine industry**

  In October 2021, Hubei Grand Life Science & Technology Co., Ltd. ("**Grand Life Science**") of the Group entered into an equity acquisition agreement with Hebei Huayang Biological Technology Co., Ltd. *, pursuant to which Grand Life Science will acquire 80% equity interest in Cangzhou Huachen BioTech Co., Ltd.* (滄州華晨生物科技有限公司, "**Huachen BioTech**") at a consideration of RMB 107.2 million to establish a presence in the glycine industry chain and lay a foundation for the establishment of the Group's leading position in the amino acid industry.

- **Introduction of Saturn, a global innovative mitral valve replacement medical device**

  In November 2021, the Group entered into a strategic cooperation agreement on equity investment and product introduction with InnovHeart, pursuant to which the Group acquired approximately 17.8% equity interest in InnovHeart and the exclusive development, manufacturing and commercialization rights of Saturn, a global innovative medical device for mitral valve replacement, in Mainland China, Hong Kong, Macau and Taiwan at a consideration of approximately EUR 43.8 million. So far, the Group has achieved the comprehensive layout of innovative products in six directions in the field of cerebro-cardiovascular precision interventional diagnosis and treatment, successfully completed the development planning objectives set at the beginning of the year as scheduled, and became one of the companies with the widest product layout and the most comprehensive disease coverage in the field of cerebro-cardiovascular precision interventional diagnosis and treatment.

- **License-in three ITM global innovative RDC drugs**

  In December 2021, the Group entered into a product strategic cooperation with ITM, pursuant to which the Group will pay a licensing fee and milestone payment of not more than EUR 520 million to obtain TOCscan® (^{68}Ga-Edotreotide) for the diagnosis of gastrointestinal pancreatic NET developed by ITM; (2) ITM-11 (n.c.a.^{177}Lu-Edotreotide) for the treatment of gastrointestinal pancreatic NET; and (3) Exclusive rights to develop, manufacture and commercialize 3 global innovative RDC products in Greater China (Mainland China, Hong Kong, Macau, Taiwan),

including ITM-41 (n.c.a.^{177}LuZoledronate) for the treatment of bone metastasis in malignant tumors.

- **Equity Investment Agreement with ITM**

  In February 2022, the Group entered into an equity investment agreement with ITM, pursuant to which the Group will subscribe for new shares of ITM at a consideration of EUR 25 million, representing approximately 1.31% of its enlarged share capital. This equity investment will deepen the Group's further cooperation with ITM, and lay a solid foundation for the Group's global layout of the entire industrial chain of radionuclide drugs in terms of production, research and sales.

Other than stated above, the Group did not have other material acquisition or disposal during the review period.

INVESTOR RELATIONS

The Group has been committing to improving its corporate governance to ensure the long-term development. During the year, the Group published annual reports, annual results announcements, and other announcements and circulars on the websites of the Company and the Hong Kong Exchanges and Clearing Limited, and issued voluntary announcements, so as to disclose the latest business developments of the Group to shareholders and investors.

At the same time, the Group actively maintains close communication with investors through various channels, including securities company roadshows, large-scale telephone conferences, one-on-one meetings and other diversified communication methods, to introduce the Group's business situation, development progress and overseas member companies' businesses to investors, and simultaneously releases the latest business updates through different media channels, aiming to build an open, two-way, transparent and sincere communication platform, so that investors can keep abreast of the Group's business progress and development prospects. During the year, the Group actively communicated with the capital market and investors through new product presentations, results announcements and investor open days, and participated in a number of summits, forums, strategy conferences and special roadshows held by large investment banks and securities companies, attracting 100 institutional investors and analysts. Through communication with investors, the Group hopes to listen to more valuable opinions and extensively collect feedback from investors by establishing an active and efficient information and communication mechanism, so as to further enhance its corporate governance.

The Group's investor relations management is conducive to establishing a high-quality corporate image and delivering the core strategy of technological innovation. It has been highly recognized in the industry in multiple dimensions. In December 2021, it was awarded the "2021 Listed Company with the Most Investment Potential in the New Economy" by the Financial Union, and in January 2022, it was awarded the "Most Valuable Pharmaceutical and Medical Company" and the "Best IR Team" in the sixth Golden Hong Kong Stocks Awards.

PROSPECTS

On 30 January 2022, the Ministry of Industry and Information Technology, the National Development and Reform Commission, the Ministry of Science and Technology and other nine departments jointly issued the "14th Five-Year" Pharmaceutical Industry Development Plan ("**14th Five-Year Plan**"). The plan puts forward higher requirements for the pharmaceutical industry, and sets out specific development requirements in terms of product innovation and industrial technology breakthrough, industrial chain stability and competitiveness, supply guarantee capability, pharmaceutical manufacturing capability system and new international competitiveness. Facing the changes in the industry, the Group seized the opportunities arising from the high-quality development of the pharmaceutical industry. Driven by technological innovation, the Group continued to deploy global innovative products and advanced technologies, continuously enriched and improved product pipelines, strengthened the layout and construction of the industrial chain. In 2022, a few global innovative products like SIR-Spheres®Y-90 microspheres injection will be launched in the China market, and the Group will put fill effort in different core aspects, continuously contribute new profit growing points and persistently consolidate its position as an industry leader in advantageous fields for building solid foundation for the contiuous growth of the Group.

Promote the construction of radiopharmaceuticals diagnosis and treatment platform and accelerate the research and development of innovative drugs for severe diseases

In recent years, China's radiopharmaceuticals market has developed rapidly, and the supporting policy and guidance have also accelerated the development of China's nuclear medicine. In 2021, the state issued the first framework document for nuclear technology in the field of medical and health applications, namely the Medium and Long-term Development Plan for Medical Isotope (2021-2035) (醫用同位素中長期發展規劃（2021-2035 年）) and the Technical Guidelines for Non-clinical Research of Radioactive In-vivo Diagnostic Drugs (放射性體內診斷藥物非臨床研究技術指導原) and other regulatory policies, which are of great significance to China's strategy of improving the capability of medical isotope-related industries, promoting and regulating the research and development of domestic radioactive in-vivo diagnostic drugs, and ensuring health. The Group closely followed the policy direction, deeply deployed and built a radionuclide drug diagnosis and treatment platform, and connected the industrial chain links such as the supervision, registration, R&D, raw materials, transportation, and admission to hospitals of radionuclide drugs, laying a solid foundation for the implementation of the Group's radionuclide drugs.

In early 2022, in the 14th Five-Year, new mechanism innovative drugs such as microsphere injections and drug-device combinations are taken as the focus of future development in the future. SIR-Spheres®Y-90 microspheres injection, a blockbuster product of the Group's radionuclide drug diagnosis and treatment platform, was successfully launched in China in February 2022. The launch of SIR-Spheres®Y-90 microspheres injection is in line with the policy direction and the development of the industry. At the same time, the Group's RDC drug will also usher in a new milestone. In the future, the Group will take SIR-Spheres®Y-90 microspheres injection as the core and RDC drugs as the R&D direction. Through cooperation with universities and excellent R&D companies around the world, the Group will consolidate its R&D strength, promote the Group's industrial chain layout in the field of radionuclide drugs, and accelerate the construction of the Group's radionuclide drugs diagnosis and treatment platform. The Group will strive to provide patients with global leading anti-tumor solutions with multi-indication treatment options, multi-means and integrated diagnosis and treatment.

STC3141, the global innovative drug in the field of severe diseases, is a small molecule drug self-developed by the Group with a brand-new mechanism of action. The global clinical progress of the product is expected to be rapid. It is expected that the results of the Phase IIa clinical trial of STC3141 in Europe for severe COVID-19 infection will be officially announced in the second quarter of 2022, which will further provide strong data support for the subsequent global clinical advancement of STC3141. The clinical milestone of STC3141 has proved the Group's ability to develop self-developed products, and laid a solid foundation for the Group's subsequent internationalization. At the same time, the product is also expected to fill the gap in the field of sepsis, ARDS and other severe diseases that have no effective treatment and drugs in the world, and provide more and better clinical solutions for patients and doctors.

Deploying world-class innovative medical device products and promoting the localization of high-end medical devices

With the advancement of the new medical reform, China's medical device industry is looking for certainty and prosperous development opportunities amid crises and opportunities. In 2021, the medical device industry accelerated regulation, and unified consumable codes, centralized procurement of consumables, and medical insurance payment by disease diagnosis-related groups (DRG) /disease classification (DIP) and have a profound impact on the future regulation and operation of the industry, which clarified the new development direction of the industry in the future. According to the 14th Five-Year Plan, innovative medical devices such as high-end interventional implants, new medical imaging equipment and biomedical materials will be the focus of future development. The Group has precisely identified the future development path during the industry reform, deployed innovative technologies globally, continued to expand world-class innovative medical device products, and continuously improved the Group's comprehensive strength.

In 2021, the Group invested a total of over USD160 million in the field of cerebro-cardiovascular precision interventional diagnosis and treatment, including a series of high-end interventional products such as HeartLight X3, a new generation of atrial fibrillation treatment laser ablation platform, CoRISMA, a series of innovative devices for the treatment of heart failure, Fastwave, an endovascular seismic calcification treatment system for the treatment of arterial calcification and Saturn, a series of mitral valve replacement products. The Group also established an overseas high-end innovative medical device R&D platform, and completed a comprehensive layout in six directions, namely coronary

intervention, peripheral intervention, neurointervention, structural heart disease, electrophysiology and heart failure. The Group's new medical imaging device, NOVASIGHT Hybrid, which incorporates two imaging technologies, namely vascular ultrasound and optical coherence tomography, is expected to be approved and launched in China in 2022, which will undoubtedly become a new profit growth point of the Group. In the future, the Group will continue to deploy world-class high-end medical devices, promote the process of product launch in China and the construction of localization, accelerate the industrialization of innovative medical devices, and create a high-end medical device platform in the field of cerebro-cardiovascular precision interventional diagnosis and treatment that integrates research, production, supply and sales.

Continue to promote high-quality development in traditional advantageous areas and further build a new pattern of comprehensive advantages in the whole industry chain

The 14th Five-Year n Plan will elevate the status of the pharmaceutical industry from an "important industry" to a "strategic industry", while the normalization of volume-based procurement will impose new requirements on pharmaceutical enterprises' pharmaceutical manufacturing capabilities and supply guarantee capabilities. Therefore, the stability and competitiveness of the industry chain are important factors for enterprises to survive in the traditional chemical drug field. APIs and chemical preparations have always been the traditional advantageous areas of the Group. Manyof the Group's popular products have achieved the integration of raw material preparations. The stable industrial chain advantages have provided the Group with strong competitiveness in the field of traditional chemical drug. In the future, the Group will continue to develop high-end generic drug preparations in a scientific manner, and at the same time further enhance the integration of raw materials and preparations of the Group's strategic varieties to create a comprehensive advantage in the entire industry chain, improve the company's ability to resist risks., and provide material support for the research and development of the Group's innovative products.

Amino acid industry is another traditional advantage area of the Group. Through the acquisition of Huachen BioTech, the Group has made an important step towards the diversification of amino acid strategy from the field of high-quality amino acid. In the future, the Group will further integrate the resources of the amino acid industry to build the world's best food-grade glycine production base. While enriching the product cluster, the Group will further extend the amino acid industry chain, establish a deep industrialization and large-scale layout in the upstream amino acid raw materials and downstream terminal health food and pharmaceutical preparations fields, and deeply participate in the global high-end market competition, laying a foundation for the establishment of the Group's leading position in the amino acid industry.

Adhering to the clinical value-oriented approach and scientifically promoting the development of the TCM segment

With the policy support for the TCM industry under the 14th Five-Year Plan, as well as various policy benefits such as the Guiding Opinions on Supporting the Inheritance, Innovation and Development of TCM by Medical Insurance (《關於醫保支持中醫藥傳承創新發展的指導意見》), Certain Policies and Measures on Accelerating the Featured Development of TCM (《關於加快中醫藥特色發展的若干政策措施》), and the Opinions on Promoting the Inheritance Innovation and Development of TCM (《關於促進中醫藥傳承創新發展的意見》) issued earlier, the determination of the country to focus on the development of TCM industry is very clear, and the market demand for TCM is expected to be further released. The Group's Xian Beilin Pharmaceutical Company Limited (西安碑林藥業股份有限公司) has been deeply engaged in the Chinese medicine industry for more than 50 years. It integrates the research and development, production and sales of Chinese medicine, and has multi-channel industry advantages and brand market recognition. He Xue Ming Mu tablets and Jinsang series its exclusive products, have good clinical efficacy and market reputation. In the future, the Group will continue to focus on clinical value. Based on the clinical needs of ophthalmology and otorhinolaryngology departments in traditional advantageous fields, the Group will deepen the development of high-quality Chinese medicine products based on clinical practices to meet the needs of patients. At the same time, the Group will actively develop fields that have not yet met clinical needs, aiming to become a leading enterprise in the field of Chinese medicine.

Financial Resources and Liquidity

As at 31 December 2021, the Group had current assets of HK$6,778.59 million (31 December 2020: HK$5,318.96 million) and current liabilities of HK$5,566.13 million (31 December 2020: HK$4,302.93 million). The current ratio was 1.22 at 31 December 2021 as compared with 1.24 at 31 December 2020.

The Group's cash and bank balances as at 31 December 2021 amounted to HK$1,752.86 million (31 December 2020: HK$1,836.70 million), of which approximately 7.0% were denominated in Hong Kong Dollars, United States Dollars, Australian Dollars, Euro and 93.0% in Renminbi.

As at 31 December 2021, the Group had outstanding bank loans of approximately HK$2,849.29 million (31 December 2020: HK$2,345.69 million) were granted by banks in the PRC and Hong Kong. All bank loans were denominated in RMB, USD and HK$. The interest rates charged by banks ranged from 2.18% to 6.89% (31 December 2020: 2.60% to 6.89%) per annum, in which approximately HK$226.0 million bank loans were charged at fixed interest rates. Certain bank loans were pledged by assets of the Group with a net book value of HK$284.35 million (31 December 2020: HK$86.22 million). The gearing ratio of the Group, measured by bank borrowings as a percentage of shareholders' equity, was approximately 21.3% as at 31 December 2021 while it was also approximately 20.9% as at 31 December 2020.

Since the Group's principal activities are in the PRC and the financial resources available, including cash on hand and bank borrowings, are mainly in Renminbi and Hong Kong Dollars, the exposure to foreign exchange fluctuation is relatively low.

The Group intends to principally finance its operations and investing activities with its operating revenue, internal resources and bank facilities. The Directors believe that the Group has a healthy financial position and has sufficient resources to satisfy its capital expenditure and working capital requirement. The Group adopted a conservative treasury policy with most of the bank deposits being kept in Hong Kong dollars, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risks. As at 31 December 2021, the Group has a cross currency swap contract to offset the currency exchange risk between HKD and RMB in related to the interests payment of certain bank loans. Save as disclosed above, the Group did not have other foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

Updates on Significant Matters

With reference to the disclosure in the 2016, 2017, 2018, 2019 and 2020 annual report of the Company, Tianjin Jingming New Technology Development Co., Ltd. (the "**Tianjin Jingming**"), an indirect non-wholly owned subsidiary of the Company, is undertaking certain litigations related to a product quality incident, and it is also claiming the original shareholders of the Tianjin Jingming for the indemnification of those possible loss suffered by the Company. Up to 31 December 2021, the court has concluded 56 cases, and 2 cases is under processes in the people's court with aggregate compensation of approximately RMB1.69 million. Among the final and effective judgements, Tianjin Jingming has paid the compensation and the related legal charges of approximately RMB30.96 million in according to the court order. The other related litigations of the product quality incident have not yet been concluded. Given that (1) such product is not the core product of the Group, and (2) according to the terms of the agreement for the acquisition of Tianjin Jingming, the original shareholders of Tianjin Jingming should be responsible for the compensation of such product incident until 30 June 2015, and Grand Pharm (China) had claimed the original shareholders of the Tianjin Jingming for the indemnification of those possible loss suffered. According to the final judgment by the court, the original shareholders of Tianjin Jingming should compensate to us approximately RMB8.09 million as the existing compensate and liquidated damages at the point of raising litigation. As the execution of the enforcement order from the people's court, Grand Pharm (China) has got properties and cash at approximately RMB6.60 million in aggregate from the original shareholders of the Tianjin Jingming, and the outstanding amount is still under enforcement processes. Also Grand Pharm (China) has raised second litigation claiming the original shareholders of the Tianjin Jingming for the losses of approximately RMB19.0 million from the indemnification made before 7 March 2021 related to such product quality incident made by Tianjin Jingming, and as at 31 December 2021 it is under second trial at the people's court. Hence, the Directors are of the view that the said incident and the related litigations do not have material impact to the Group.

According to the terms of the agreement for the acquisition of Tianjin Jingming, the vendors have undertaken to the Group that the net profit after tax (the "**Actual Profit**") from domestic sales (only include the net profit generated from domestic sales and shall not include the profit generated from the sales of irrigating solutions (灌注液)) of Tianjin Jingming for the period commencing on 1 January 2015 and ending on 30 June 2015 shall not be less than RMB5 million (the "**Performance Guarantee**"). If the above Performance Guarantee cannot be met, the Group can claim for a refund of part of the consideration in according to the formula set out in the announcement of the Company dated 22 December 2014. The Group raised a litigation against those vendors in related to the said Performance

Guarantee, and after the first trial, second trial and retrial from the court, the court granted the final judgement in December 2020. It was concluded that the Group can get back the RMB10 million share transfer consideration deposited in the bank account jointly controlled by the Group and the vendors. The vendors should also additionally refund approximately RMB11.2 million share transfer consideration to the Group in according to the terms of the agreement for the acquisition of Tianjin Jingming. As at the date of this announcement, an enforcement order application was submitted and has been accepted by the people's court. The Group has followed the judgement from the court and get back the RMB10 million deposited in the bank account jointly controlled by the Group and the vendors.

Significant Investment

Save as disclosed above, there was no other significant investment during the year.

Contractual and Capital Commitments

As at 31 December 2021, the Group as lessor had operating lease commitments of HK$0.21 million (2020: HK$0.12 million).

As at 31 December 2021, the Group had capital commitments of HK$180.32 million (2020: HK$108.70 million).

Contingent Liabilities

As at 31 December 2021, the Directors were not aware of any material contingent liabilities.

Events after the Reporting Period

Save as disclosed above, no subsequent events occurred after 31 December 2021 which may have a significant effect, on the assets and liabilities of future operations of the Group.

Issue of new shares and use of proceeds

On 1 August 2020, the Company entered into a placing agreement with China International Capital Corporation Hong Kong Securities Limited ("Placing Agent"), pursuant to which the Placing Agent has conditionally agreed to act as agent for the Company, to place, or procure the placing of, on a best effort basis, up to a total of 172,000,000 new shares at the placing price of HK$5.90 per placing share to not less than six placees. The closing price was HK$7.34 per share on 31 July 2020 (being the last trading day of the shares immediately preceding the date of signing of the placing agreement. On 10 August 2020, the Company completed the allotment and issuance of 172,000,000 placing shares. After deducting the placing commission and the related fees and expenses, the aggregate net proceeds were approximately HK$1,013.60 million, represents the net price per placing share is approximately HK$5.89, and are expected to in the research and development projects (including but not limited to its existing and future domestic and overseas projects on research and development of pharmaceutical products), expansion of our research team and investment in technology. For the year ended 31 December 2020, there were approximately HK$613.11 million out of the proceeds applied to the usage stated above, and the remaining proceeds were fully utilized in 2021 for the usage stated above.

Share Award Scheme

On 1 September 2021, the Company has adopted the Share Award Scheme ("**Scheme**") in which the Group's employees, directors or consultants will be entitled to participate. Details of the Scheme are set out in the Company's announcement dated 1 September 2021.

In 2021, the Group has paid to the trust established for the Scheme HK$155.0 million, and approximately HK$143.5 million of which was used to purchase 22,430,500 Shares as part of the trust fund and such Shares are held by the trustee for the benefit of the eligible participants under the trust.

Save for the aforesaid, as at the date of this announcement, the Board neither granted any awards nor caused to pay the trustee the trust fund for purchase nor subscription of Shares.

Purchase, Sale or Redemption of Shares

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares, except that the trustee of the Scheme, pursuant to the terms of the rules and trust deed of the Scheme, purchased on the Stock Exchange a total of 22,430,500 Shares at a total consideration of approximately HK$143.5 million.

Employees and Remuneration Policy

As at 31 December 2021, the Group employed about 10,029 staff and workers in Hong Kong and the PRC (31 December 2020: about 8,722). The Group remunerates its employees based on their performance and experience and their remuneration package will be reviewed periodically by the management. Other employee benefits include medical insurance, retirement scheme, appropriate training program and share option scheme.

Competing Interest

Save that Dr Niu Zhanqi, an executive Director, is a director of Huadong Medicine Co., Ltd., and thus may have interest in businesses which competes or is likely to compete, either directly or indirectly, with the business of the Group, so far as the Directors are aware of, no Directors or the management shareholders of the Company (as defined in the Listing Rules) had an interest in a business which competes or may compete with the business of the Group.

Directors' Interests in Transaction, Arrangements or Contracts

No transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a director of the company had a material interest, subsisted at the end of the year or at any time during the year.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code of conduct for securities transactions by directors. Having made specific enquiry of the Company's directors, all directors have confirmed their compliance with all the relevant requirements as set out in the Model Code during the year ended 31 December 2021.

Independence of Independent Non-executive Directors

The Company has received from each independent non-executive director an annual confirmation for independence pursuant to Rule 3.13 of the Listing Rules. The independent non-executive directors have confirmed that they are independent.

Code of Corporate Governance Practices

The Company has complied with all of the code provisions of the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 of the Listing Rules during the year ended 31 December 2021.

Audit Committee

The Company has established the audit committee for the purpose of monitoring the integrity of the financial statements and overseeing the financial reporting process and the internal control system of the Group. Currently, the audit committee is chaired by independent non-executive director Ms. So Tosi Wan, Winnie and other members include the two independent non-executive directors Mr. Hu Yebi, and Dr. Pei Geng.

The Group's audited annual financial results for the year ended 31 December 2021 has been reviewed by the audit committee.

Remuneration Committee

The Company has established the remuneration committee to consider the remuneration of all directors and senior management of the Company. Currently, the remuneration committee is chaired by independent non-executive director Ms. So Tosi Wan, Winnie and other members include the executive director Dr. Tang Weikun and the independent non-executive director Mr. Hu Yebi.

Nomination Committee

The Company has established the nomination committee to assist the Board in the overall management of the director nomination practices of the Company. Currently, the nomination committee is chaired by independent non-executive director Ms. So Tosi Wan, Winnie and other members include the executive director Dr. Shao Yan and the independent non-executive director Mr. Hu Yebi.

Annual General Meeting

The annual general meeting of the shareholders of the Company will be held at the Unit 3302, The Centre, 99 Queen's Road Central, Hong Kong on Friday, 27 May 2022 and the notice of annual general meeting will be published and dispatched to the shareholders in the manner as required by the Listing Rules in due course.

Closure of Register of Members

The register of members of the Company will be closed during the following periods:

(i) from Tuesday, 24 May 2022 to Friday, 27 May 2022 both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the annual general meeting of the Company to be held on Friday, 27 May 2022. In order to be eligible to attend and vote at the annual general meeting of the Company, all share certificates with completed transfer forms either overleaf or separately must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30pm on Monday, 23 May 2022; and

(ii) on Wednesday, 8 June 2022, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to establish entitlements to the proposed final dividend, all share certificates with completed transfer forms either overleaf or separately must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30pm on Tuesday, 7 June 2022. The final dividend will be paid on or about Tuesday, 21 June 2022 to the shareholders whose names appear on the register of members as on Wednesday, 8 June 2022.

Scope of Work of HLB Hodgson Impey Cheng Limited

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 as set out in this announcement have been agreed by the Group's auditors, HLB Hodgson Impey Cheng Limited ("**HLB**"), to the amounts set out in the Group's drafted consolidated financial statements for the year. The work performed by HLB 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 HKICPA and consequently no assurance has been expressed by HLB on this preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.grandpharm.com) and the Company's 2021 Annual Report will be dispatched to Shareholders and published on the Company's and the Stock Exchange's websites in due course.

By order of the Board
Grand Pharmaceutical Group Limited
Chairman
Dr. Tang Weikun

Hong Kong, 17 March 2022

As at the date of this announcement, the Board comprises four executive directors, namely, Dr. Tang Weikun, Dr. Shao Yan, Dr. Niu Zhanqi and Dr. Shi Lin, and three independent non- executive directors, namely, Ms. So Tosi Wan, Winnie, Dr. Pei Geng and Mr. Hu Yebi.

* *For identification purpose only.*