四环医药
SihuanPharm

Sihuan Pharmaceutical Holdings Group Ltd.
四環醫藥控股集團有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 0460)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

The board (the "**Board**") of directors (the "**Directors**") of Sihuan Pharmaceutical Holdings Group Ltd. ("**Sihuan Pharmaceutical**" or the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2021 (the "**Year**") together with the comparative figures for the previous year.

FINANCIAL HIGHLIGHT OF THE GROUP

- For the Year, the revenue from continuing operations was approximately RMB3,291.3 million, representing year-on-year growth of 33.6% compared to approximately RMB2,464.2 million for the year ended 31 December 2020.

- For the Year, the gross profit from continuing operations was approximately RMB2,448.5 million, representing year-on-year growth of 27.9% compared to approximately RMB1,914.4 million for the year ended 31 December 2020.

- For the Year, the revenue and the segment profit of medical aesthetics business were approximately RMB399.0 million and approximately RMB248.5 million respectively, representing year-on-year growth of 1,383.3% and 971.1% compared to approximately RMB26.9 million and approximately RMB23.2 million for the year ended 31 December 2020 respectively.

- For the Year, the revenue of innovative drug business and other businesses was approximately RMB294.2 million, representing year-on-year growth of 23.0% compared to approximately RMB239.1 million for the year ended 31 December 2020.

- For the Year, the revenue and the segment profit of generic drugs business were approximately RMB2,598.1 million and approximately RMB1,307.0 million, representing year-on-year growth of 18.2% and year-on-year decrease of 4.9% compared to approximately RMB2,198.2 million and approximately RMB1,374.6 million for the year ended 31 December 2020 respectively.

- For the Year, the research and development expenses were approximately RMB868.1 million, representing year-on-year growth of 19.0% compared to approximately RMB729.2 million for the year ended 31 December 2020.

- For the Year, the operating profit from continuing operations was approximately RMB763.9 million, representing year-on-year decrease of 2.9% compared to approximately RMB787.1 million for the year ended 31 December 2020.

- For the Year, the profit attributable to owners of the Company was approximately RMB416.5 million, representing year-on-year decrease of 12.0% compared to approximately RMB473.4 million for the year ended 31 December 2020.

- For the Year, the basic earnings per share was RMB4.42 cents (2020: RMB5.00 cents).

- For the Year, the proposed final cash dividend per share was RMB1.3 cents (2020: RMB1.3 cents) and the proposed special cash dividend per share was RMB9.5 cents (2020: RMB10.6 cents).

- As at 31 December 2021, cash and cash equivalents was approximately RMB5,682.4 million, representing year-on-year increase of 23.4% compared to approximately RMB4,604.0 million as at 31 December 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

In 2021, with the continuous outbreak of COVID-19, the overall economic situation of the world is still facing the bottleneck of development. But with the continuous improvement of the economic structure and the normalization of COVID-19 control, signs of economic recovery are still visible. In 2021, the global economic growth rebounded to 5.5%, and showed a steady recovery and good development trend in overall.

In China, driven by the normalization of the epidemic control, the awakening of residents' consumption awareness and consumer demand, medical aesthetic consumption has gradually recovered, and the medical aesthetic industry has ushered in a new period of important opportunities. According to the 2021 Medical Aesthetic Industry White Paper (《2021醫美行業白皮書》) (the "**White Paper**") released by So-Yong Aesthetic Data Research Institute (新氧數據顏究院), the scale of China's medical aesthetic market is expected to reach RMB184.6 billion in 2021, returning to the growth channel of more than 20%. Botulinum toxin, photoelectric technology, medical aesthetic e-commerce and hyaluronic acid have become the four key factors

to promote the rapid development of medical aesthetic market and comprehensively promote the transformation of industry ecology. With the prosperity of the medical aesthetic industry, the medical aesthetic industry also entered the stage of strong supervision at the policy level in 2021. The White Paper mentioned that the medical aesthetic industry has reached the critical point of transformation and upgrading from extensive development to refined development. With the policies such as the action for cracking down on illegal medical aesthetic services jointly adopted by eight ministries and departments and the Enforcement Guidance for the Medical Cosmetology Advertising (《醫療美容廣告執法指南》) promulgated by the State Administration of Market Regulation during the Year, stricter policy supervision is becoming normal practices and major trends, further promoting the reorganization and reshuffle of the medical aesthetic industry, eliminating pirated and counterfeit products and clearing out illegally-operated institutions, and bringing long-term benefits to the development of formal institutions.

In the pharmaceutical industry, 2021 witnessed the continuous impact of industrial policies. Centralized drug procurement has been normalized and institutionalized with a faster and broader development, and the full coverage for all purchases in need should be finalized. At the same time, the domestic innovative medicine track has accelerated the reshuffle, and independent innovation research and development ("**R&D**") has emerged, which has attracted much attention in the market. For innovative drugs, the guidance also has been given by the policy to strengthen the quality control of the supply side, encourage independent R&D and innovation and ensure the supply of products in urgently clinic needs. Meanwhile, a series of combination such as the medical security law, the adjustment of National Drug Reimbursement List ("**NDRL**") and diagnosis-related groups (DRG)/ diagnosis-intervention packet (DIP) payment policy, and the "keep the cage, but change the birds" measures paved the way for the development of innovative drugs.

The Group's Business

2021 was also a special year for the Group, which also was the turning point of Sihuan Pharmaceutical. During the past year, the Group fully promoted the two-wheeled strategy of medical aesthetic and biopharmaceuticals, and successfully realized the transformation from traditional generics company to leading innovative drugs and medical aesthetic company.

Pharmaceutical Business

The pharmaceutical business segment of the Group successfully incubated two innovative drug platforms. Among them, Xuanzhu Biopharmaceutical Co., Ltd. ("**Xuanzhu Biopharm**") began to hatch innovative drug sector in 2012, which is leading in the industry and focusing on the independent R&D of oncology drugs. It is one of the companies in China with the most comprehensive coverage in breast cancer. It has more than 20 products in the pipeline, with CDK4/6 inhibitor Birociclib as the core. It serves as a leading biopharmaceutical company in China focusing on oncology with comprehensive innovative drug self-development capabilities in both small and large molecule areas. During the Year, the New Drug Application ("**NDA**") of Anaprazole Sodium developed by Xuanzhu Biopharm has been accepted, and Birociclib as well as other products have been approved to enter clinical phase III. R&D has made rapid progress.

The Key Pipeline of Xuanzhu Biopharm: Fully Independent Intellectual Property Rights

Focusing on the oncology, metabolic diseases, digestive system and other therapeutic areas in great clinical needs with the protection of global IP and out-licensing opportunities

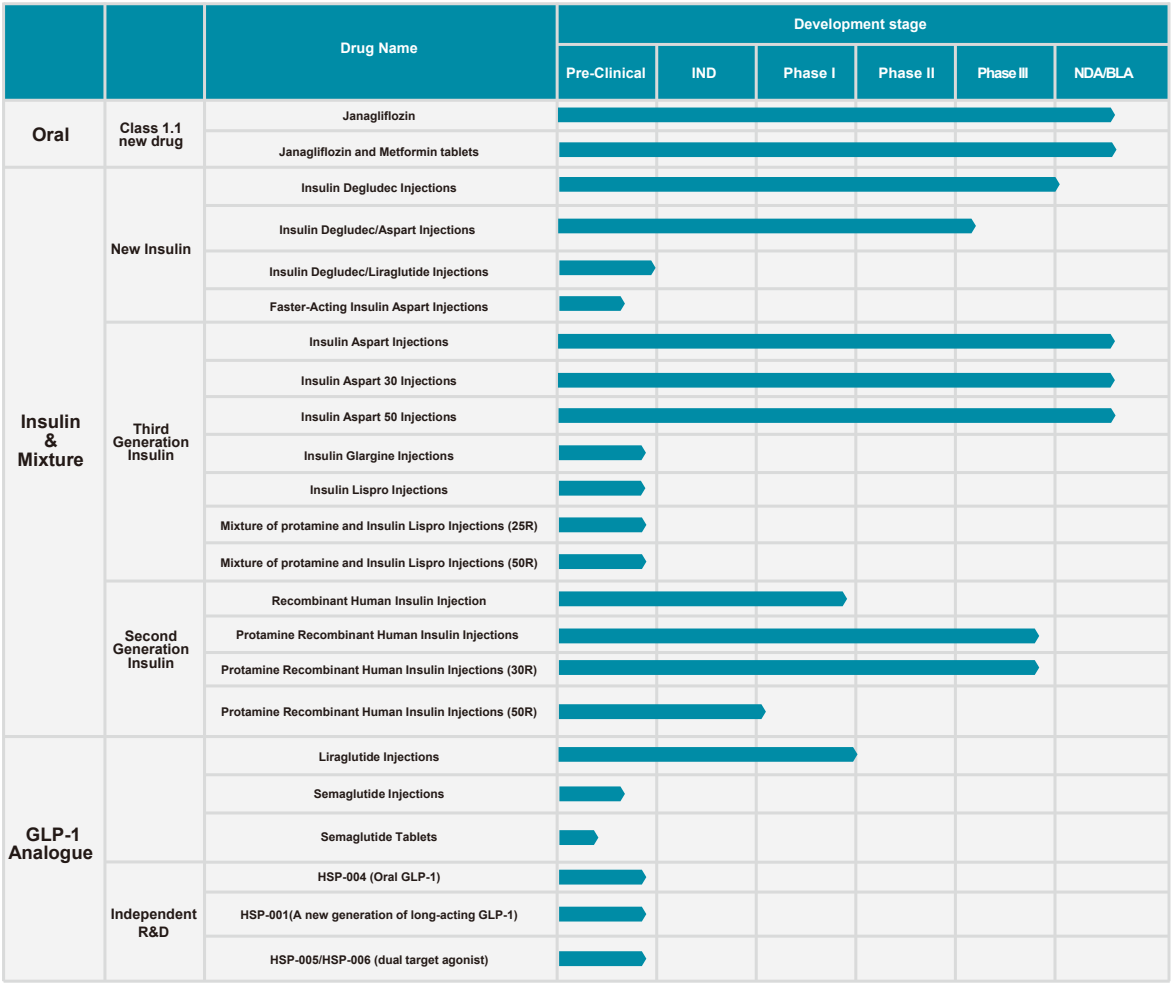
Therapeutic Area		Target	Drug Name	Indications	Pre-Clinical		Clinical		
					LI/LO*	IND*	Phase I	Phase II	Phase III
Tumor	Breast cancer	CDK4/6 Inhibitor	Birociclib	Breast cancer (HR+/HER2- / End-line)					
				Breast cancer (HR+/HER2- / Second-line treatment with fulvestrant)					
				Breast cancer (HR+/HER2- / first-line treatment with AI)					
		HER2 Bispecific antibody	KM-257	HER2 high expression tumors (Breast cancer, other solid tumors such as cholangioma and herceptin)					
		HER2 Bispecific antibody - ADC	KM-501 (Original KM-254)	HER2 low to medium expression (Breast cancer, other solid tumors such as gastric cancer and lung cancer)					
		SERD	Fulvestrant	HR+ and/or ER+ breast cancer					
	NSCLC	ALK/ROS1 Inhibitor	XZP-3621	NSCLC (End-line)					
				NSCLC (first-line)					
		AXL	XZB-0004	NSCLC					
	Tumor	NTRK/ROS1 Inhibitor	XZP-5955	Locally advanced/metastatic solid tumors with NTRK/ROS1 fusion and mutation					
		Protein degradation	XZB-001-003	Solid tumor					
Endocrine metabolism	NASH	FXR receptor agonist	XZP-5610	NASH (Non-alcoholic Steatohepatitis)					
				PBC (primary biliary cholangitis)					
		Undisclosed	XZP-6019	NAFLD/NASH					
Digestion	Peptic ulcer	PPI (Proton Pump Inhibitor)	Anaprazole sodium (KBP-3571)	DU (Duodenal ulcer)					

** LI/LO: Lead Identification/Lead Optimisation*
IND: Investigational New Drug

Jilin Huisheng Biological Pharmaceutical Co., Ltd. ("**Huisheng Biopharm**") was incubated in 2014, focusing on the field of diabetes and complications, with nearly 40 products in the pipeline and became one of the few domestic integrated R&D, production and marketing platforms to achieve full product coverage in the fields of diabetes and complications. During the Year and early 2022, multiple products of Huisheng Biopharm have made positive progress, the NDA of innovative drug SGLT-2 inhibitor Janagliflozin, and the NDA for insulin aspart injection, insulin aspart 30 injection and insulin aspart 50 injection have been accepted. The fourth-generation insulin degludec injection finished phase III clinical trials. Insulin degludec and insulin aspart injection has obtained the approval for the conduction of clinical trials, and its R&D progress ranks the top in China.

The Key Pipeline of Huisheng Biopharm

A number of products have entered into phase I to III clinical trials, and blockbuster product will be successively launched in the next three years.



The Group began its independent R&D layout in 2012. In the past few years, the Group has invested more than RMB1 billion in Xuanzhu Biopharm and Huisheng Biopharm respectively. The funds were derived from the income of the Group's generic drugs business.

Generic drugs sector is an important cash cow business of the Group, which provides sufficient finance and talent support for the Group to build two innovative drug platforms. The Group's high-end generic drug R&D platform has dozens of products under R&D, which will gradually enter into the market and continue to create new revenue. Meanwhile, the Group also has strong active pharmaceutical ingredient ("**API**") production resources. In 2020, it consolidated the "API + contract development and manufacturing organization ("**CDMO**")" integrated platform, and made breakthrough for business progress in this field in 2021. There were approximately 160 projects in list, and approximately 40 customers actually signed the agreements, which made breakthroughs in the quality and quantity of customers.

Medical Aesthetic Business

The Group has begun to incubate medical aesthetic segment since 2014 and entered into exclusive distribution rights in respect of botulinum toxin and hyaluronic acid with Hugel, Inc. ("**Hugel**"), a leading biopharmaceutical company in Korea. Botulinum toxin Letybo® was successfully launched in February 2021 and achieved great sales progress and channel coverage of approximately 2,500

medical aesthetics institutions, of which more than 430 institutions account for the 500 leading institutions. Beijing Meiyan Space Biomedicine Co., Ltd. ("**MeiYan KongJian**") realized the growth both in quality and quantity and penetrated into the core area of medical aesthetics by means of self-development, acquisitions and mergers, joint venture cooperation, exclusive distribution and other ways, expanded the medical aesthetic product portfolio to cover the whole life cycle needs of beauty lovers. The self-developed pipelines own more than 10 Class III products and almost 20 Class II products. In respect of the acquisition of business, the Group has completed the wholly-owned acquisition of Genesis Biosystems, Inc. ("**Genesis**"), which is an American manufacturer of high-quality aesthetics and biomedical products, covering the fat harvesting system LipiVage®, and also established a joint venture with Bluepha Co., Ltd. ("**Bluepha**") to jointly develop PHA microspheres and bio-manufacturing-based regenerative medicine materials. The Group exclusively distributed the embedding thread products and golden microneedle products during the Year and in early 2022. The Group has successfully achieved version 2.0 upgrade in the medical aesthetic segment in 2021, transforming itself from an exclusive distribution enterprise with single product into a platform-type company achieving the integration of R&D, production and sales in the field of medical aesthetics.

The Key Pipeline of MeiYan KongJian: To cover the entire life cycle's need of beauty lovers

Business	Category	Product Name	pre-clinical stage	clinical stage	registration	marketing
Independent R&D pipeline	Filler	Complex Collagen (Bio_fermentation Source) Filler (Type III)				
		The first generation PLLA filler (Type III)				
		The second generation PCL filler (Type III)				
	Volumization/Support	**10+** independent R&D Type III products*				
	Skin care	PLLA gel (Type II)				
		~20 independent R&D Type II products*				
M&A/JV	Sculptra	Fat harvesting system LipiVage® (US Genesis)				
	Filler	PHA microsphere regenerative medicine materials (Bluepha)				
	Optoelectronic	Two-in-one ultrasound technology, cold and heat lipolysis system (Shenzhen Yimei)				
Exclusive Distribution	Sculptra	Botulinum toxin / Letybo (South Korea Hugel)				
	Filler	HA filler (South Korea Hugel)				
	Optoelectronic	SYLFIRM X™ Golden Microneedle (South Korea VIOL)				
	Support	Absorbable suture and incontience sling kit (South Korea Dongbang Medicine)				
	Volumization	CELLBOOSTER (Switzerland Suisselle)				

* only shown the fastest R&D development in the category

Three Core Capabilities

In addition, the three core capabilities of the Group support the above business development and produce favorable synergies. The Group has very strong registration capabilities and is the first enterprise to bring Korean botulinum toxin into the Chinese market and can also complete the registration of self-developed varieties in a very short-term. Strong registration capability brings first-mover advantage for the launch of products. Secondly, the Group has a high-efficiency and low-cost production platform, and its mastery of production capacity and raw materials enables the Group to have a strong cost advantage to achieve rapid industrialization development. In addition, the Group also has the market-recognized medical academic marketing ability. On the professional and efficient academic marketing platform covering the whole China, the professional marketing team and business sales network of the Group not only can promote the continuously rapid penetration of existing products, but also endow the new launched products with strong "monetization" ability.

Annual Results

For the year ended 31 December 2021 ("**during the Year**"), the Group recorded a total revenue of RMB3,291.3 million, representing a year-on-year increase of 33.6% over the total revenue of RMB2,464.2 million for the same period in 2020. This increase was mainly due to the Group's new business segment, the medical aesthetics segment, recorded a revenue of RMB399.0 million, representing a year-on-year increase of 1,383.3%, which was mainly due to the launch and marketing of the botulinum toxin Letybo®, actively contributing to the performance of the Group.

The generic medicine segment achieved a revenue of RMB2,598.1 million, representing a year-on-year increase of 18.2%, which showed that the impacts of Key Monitoring List products on the generic medicine business of the Group have come to an end and the performance of the Group's generic medicine segment has entered the upward channel.

During the Year, the Group achieved a gross profit of RMB2,448.5 million, representing an increase of 27.9% over the gross profit of RMB1,914.4 million for the corresponding period in 2020, mainly due to the significant growth in the revenue side.

During the Year, the Group continued to ramp up the investment in the R&D to promote the rapid amplification in value of the Group's pharmaceutical segment. During the Year, the R&D expenses (including Xuanzhu Biopharm and Huisheng Biopharm) were RMB868.1 million, representing an increase of 19.0% over the R&D expenses of RMB729.2 million for the same period 2020, accounting for 26.4% of total revenue. The high and continuous R&D investment mirrors the confidence and determination of the Company in continuous R&D and innovation, and at the same time exactly enhanced the value of R&D segment significantly for the Group. Xuanzhu Biopharm attracted the equity investment with a total of RMB1.57 billion from the top private equity fund in China in the two years from 2020 to 2021. As of the end of 2021, the post-investment valuation of Xuanzhu Biopharm was increased by more than 50% from RMB4.6 billion in August 2020 to nearly RMB7.0 billion.

As of 31 December 2021, the Group's cash and cash equivalents plus wealth management products amounted to approximately RMB5,791.7 million, and the total amount of cash and cash equivalents plus wealth management products, net of interest-bearing bank borrowings and other borrowings, was approximately RMB4,747.0 million. The Group's debt to capital ratio (i.e., a percentage of borrowings divided by equity attributable to owners of the Company) was 12.6%, which remained low. The Group's financial position is very solid. The Board proposed the final cash dividend per share of RMB1.3 cents and special cash dividend per share of RMB9.5 cents.

Business Review

1. Medical Aesthetic Business Segment: Building a Leading Medical Aesthetic Platform in China based on the Rigor and Innovation of a Pharmaceutical Company

The medical aesthetics platform MeiYan KongJian under the Group takes a foothold in Chinese medical aesthetic market characterized by high growth and low penetration rate and is dedicated to building a leading medical aesthetic company with full product matrix by leveraging the rigor and innovation of a pharmaceutical company. Since the exclusive distribution agreement entered into in 2014 regarding the botulinum toxin Letybo®, focusing on the "one-stop" new medical aesthetics platform, MeiYan KongJian had grown from a platform with single product distribution into an integrated medical aesthetic platform on R&D, production and marketing with various self-developed products or distribution products, strong marketing abilities and full product matrix by means of globalized layout, comprehensive and professional product matrix, strong R&D and registration capabilities, low-cost localized production and diversified marketing abilities and comprehensive channel coverage in 2021 after years of great efforts.

In 2021, MeiYan KongJian built a whole medical aesthetics product matrix by virtue of strong self-development and business development ("**BD**") abilities with an aim of covering the whole life cycle needs of beauty lovers and with its product layout covering dozens of high-quality medical aesthetics products, including the filling, shaping, supporting, supplementing, optoelectronic device, body sculpturing, skin care and others to provide non- or minimally invasive medical aesthetics comprehensive solutions.

During the Year, the revenue of MeiYan KongJian, the medical aesthetics business segment, reached RMB399.0 million, representing a year-on-year increase of 1,383.3%, accounting for 12.1% of the Group's overall revenue. It realized profit before tax of RMB248.5 million, representing a significant increase of 971.1% year-on-year.

The significant growth of revenue mainly resulted from the official launch and sales of type A botulinum toxin for injection Letybo® 100U (trade name: Letybo®), a product exclusively distributed by MeiYan KongJian and produced by a leading South Korean biopharmaceutical company Hugel, in February 2021. Letybo®, as the leading product of Hugel and exclusively distributed by MeiYan KongJian, ranked first in terms of sales in the botulinum toxin market of South Korea for five consecutive years from 2016 to 2020, representing a market share of approximately 50%. Letybo® is the fourth type A botulinum toxin product approved for launch in the market of China and the first of its kind from South Korea. With its unique advantages of high quality, high efficacy and high safety, Letybo® has been highly recognized and concerned by the industry, doctors and consumers, and its sales volume has increased rapidly after launch. The annual sales revenue of Letybo® reached RMB399.0 million. As of the end of January, it has been marketed to nearly 2,500 medical aesthetics institutions nationwide, and more than 430 institutions out of the top 500 institutions. In addition, type A botulinum toxin for injection Letybo® 50U has also officially received the marketing approval from the National Medical Products Administration ("**NMPA**") in February 2021. With the approval of the new product specification, Letybo® 50U has enriched product specifications and types on the basis of the previously launched Letybo® 100U, which will be conducive to the expansion and market popularization of Letybo® standard products.

In addition to the exclusive distribution of Hugel's products, MeiYan KongJian has been constantly enriching and expanding its product portfolio. Through "self-development + exclusive distribution", it has deployed a pipeline of high-quality medical aesthetics products, and has become more diversified and internationalized under the product layout strategy.

During the Year, the Group also made positive progress in the self-developed pipeline of medical aesthetics products. Currently there are more than ten types of class III medical device products in the self-developed product pipeline, including the first-generation "PLLA filler" and the second-generation "PCL filler", as well as dozens of class II medical device products, among which, the Group's self-developed and produced three types of products, namely PLLA gel (product name: Karlian®) (2ml/unit), medical skin care gel and medical skin repair gel, have obtained the medical device registration certificate approved by the NMPA. The indications of liraglutide developed by the Group for obesity have also entered into the development plan communication of the clinical phase III trial, and will soon enter the clinical phase III stage. As more and more self-developed products are approved and blockbuster products enter the mid-to-late clinical stage, the Group's self-developed products will further help build a complete product matrix and further enhance the comprehensive strength of the Group's medical aesthetics business.

What supports the rapid progress of the above self-developed pipelines is MeiYan KongJian's strong in-house R&D and technology transformation capabilities. During the Year, MeiYan KongJian has established the Meiyen Laboratory in Los Angeles, the United States, to conduct innovative technology introduction, independent research and development of new generation medical aesthetics products and biomaterial, and the technology transformation and manufacture in China. The R&D center established in China is responsible for the improvement in existing medical aesthetics products and the exploration of new applications, and the industrial implementation of the cutting-edge technologies developed by the US R&D center. Meanwhile, it has in-depth cooperation with a number of well-known domestic research institutes and colleges to build strong R&D capabilities.

Faster realization has been seen in BD products. Relying on its strong registration and marketing capabilities, the Group has signed exclusive BD cooperation with a number of global leading enterprises at home and abroad to further expand its product portfolio of medical aesthetics products and realize rapid increase in sales scale.

During the Year, the Group started its layout in the market of embedding thread products and entered into an exclusive distribution agreement with Dongbang Medical Co., Ltd. of South Korea to introduce its two types of products, namely absorbable suture and incontinence sling kit. According to market statistics, the potential market of embedding thread in China is approximately RMB1 billion, with a compound growth rate of 26% in the next five years. The products distributed by the Group have obtained FDA certification in the US and CE certification in EU, and are ready for sale.

In January 2022, the first layout of the Group in the optoelectronic equipment market was implemented. The Group entered into an exclusive distribution agreement with South Korea VIOL Co., Ltd ("**VIOL**") in respect of the SYLFIRM X™ golden microneedle (黃金微針) product and obtained the exclusive distribution right of the product in Mainland China,

Hong Kong and Macau. At present, among the domestic golden microneedle projects, three imported products (mainly from Israel and South Korea) occupy approximately 70% of the market. The SYLFIRM X™ distributed by the Group is a new generation of golden microneedle, which has great advantages over other radiofrequency microneedle products currently on the market. It is also the first radiofrequency microneedle instrument with continuous wave plus impulse wave dual-wave action in the world, which can treat skin problems at all levels from superficial to deep. With the rapid growth of China's radiofrequency medical aesthetics equipment market, it is believed that the new technology iterations brought by SYLFIRM X™ will bring greater attraction to Chinese medical aesthetics institutions and beauty seekers.

In addition, the Group further expanded its product matrix through acquisitions, mergers and joint ventures. In December 2021, the Group wholly acquired the entire equity of Genesis, a manufacturer of high-quality aesthetic and biomedical products in the United States. Genesis specializes in microchannel system and fat collection system. Its LipiVage® fat collection system is an innovative product with independent and ready-to-use two-step fat collecting, cleaning and transferal system, which is easy to operate and has mild effects. Its unique technology can increase the survival rate of fat transplantation to 80% to over 90%. In June 2021, Meiyen Laboratory Inc, an American subsidiary of the Group, has entered into a strategic cooperation with Genesis on this product and obtained the exclusive distribution right for this product in Greater China and South Korea.

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

In order to realize the industrialization of R&D products, MeiYan KongJian has set up two high-efficiency and low-cost production bases in China, with a total area of 14,000 square meters. Currently, nine production lines have been set up, covering pre-filled products, lyophilized powder injection products, active equipment, dressings, etc. The production process is automated, and the production status is controllable in real time to ensure the ability to

manage details and the traceability of the production process. All production workshops meet aseptic purification workshop requirements and have a perfect quality management system, and risk management is implemented for the whole life cycle of products to ensure safety, effectiveness and quality controllability of the products.

After the implementation of product industrialization, with the diversified sales capabilities and comprehensive channel coverage of the medical aesthetics platform, the new products can be launched and achieve sales expansion quickly. The sales team of more than 60 members of MeiYan KongJian are mainly from well-known multinational pharmaceutical and medical aesthetic companies, with more than 10 years of rich sales experience. In addition, the Group also cooperates with approximately 40 agents to jointly promote the launch of the products. It has achieved a coverage of more than 200 cities in China, covering nearly 2,500 medical aesthetics institutions, of which more than 430 institutions are among the top 500 institutions.

In 2021, the Group's medical aesthetic business segment has gradually improved and achieved considerable results in product, R&D, registration, production and sales. With the "independent R&D + distribution" products being gradually implemented and launched into the market, the Group's medical aesthetic business will continue to maintain strong growth momentum and further become a leading medical aesthetic company in China that achieves full product coverage for the whole life cycle needs of beauty lovers.

2. Pharmaceutical Business Segment: Innovation-driven Transformation of Pharmaceutical Business from a Traditional Generics to an Innovative Drugs to further Build a Leading Biopharmaceutical Company in China

During the Year, the pharmaceutical business segment had successfully incubated two innovative drug platforms, namely Xuanzhu Biopharm, a leading domestic biomedical company focusing on oncology drugs with comprehensive innovative drug development capabilities in the fields of small molecules and macromolecules, and Huisheng Biological, one of the few integrated research, production and marketing platforms in China with full product coverage in the field of diabetes and complications, and its innovation drive continuing to increase to continuously promote the long-term development of the Group's pharmaceutical business segment in the field of innovation. Jilin Kangtong continued to develop its API business under the integrated strategy of "API + CDMO" and promoted the gradual implementation of CDMO/contract manufacturing organization ("**CMO**") business. The high-end generics under the generics business platform have been successively approved and marketed, which continues to provide revenue and becomes a strong "cash cow", ensuring that the Group's pharmaceutical business segment becomes an innovative drug enterprise without a money-burning model.

2.1 Xuanzhu Biopharm: A Leading Biomedical Company in China with Comprehensive Innovative Drug Development Capabilities in the Fields of Small Molecules and Macromolecules

Established in 2012, Xuanzhu Biopharm is an innovative drug subsidiary of the Group. Undergoing nearly ten years of development, Xuanzhu Biopharm has gathered an excellent team with nearly 400 people leading by returnee scientists, which are equipped with the ability of independent research and development of innovative drugs, forming a complete

research and development and a new drug research and development system, and creating a professional platform from new drug structure design, evaluation, establishment of candidate compounds to clinical research, and then to new drug marketing application. In early 2021, Xuanzhu Biopharm integrated Beijing Combio, a macromolecule biopharmaceutical company dedicated to the research and development of multifunctional antibody drugs such as innovative bispecific antibodies, bispecific ADC through mergers and acquisitions. Hence, Xuanzhu Biopharm is now one of the few platform-type innovative drug companies with comprehensive innovative drug development capabilities in the fields of small molecules and macro molecules in China.

Rapid progress has been seen in Xuanzhu Biopharm's self-developed product pipeline, with over 25 innovative drugs under development, targeting areas such as oncology, metabolism, and digestion. Focusing on major diseases, big markets and multi-target layout of same diseases, Xuanzhu Biopharm has made a comprehensive layout for the main targets of breast cancer in the key track, and is one of the companies with the most comprehensive layout in the breast cancer track in China.

During the Year, Birociclib, the class I new drug candidate of Xuanzhu Biopharm, has obtained the approval for the conduction of phase III clinical trials from the Center for Drug Evaluation of NMPA, specifically: Birociclib is used in combination with aromatase inhibitor in locally advanced or metastatic breast cancer that is hormone receptor positive (HR+) and human epidermal growth factor receptor 2 negative (HER2-), and Birociclib is used in combination with fulvestrant in locally advanced, recurrent or metastatic HR+/HER2- breast cancer that showed disease progression after previously endocrine therapy. Breast cancer is one of the most prevalent malignant tumors in the world. Hormone receptor (HR) positive breast cancer accounts for approximately 70% of all breast cancers and covers the majority of patients with breast cancers. Currently, the most popular drug in this field is CDK4/6 inhibitor. The blockbuster product of Xuanzhu Biopharm, Birociclib, as a novel selective CDK4/6 inhibitor, has the potential to overcome endocrine therapy resistance in hormone receptor positive (HR+) breast cancer patients. Birociclib also exhibited significant efficacy in patients with advanced breast cancer who have failed multiple lines of treatment. Pre-clinical data showed that Birociclib has a unique pharmacokinetic profile, which penetrates the blood-brain barrier, predicting its potential efficacy in breast cancer patients with brain metastases and patients with brain tumors. Moreover, due to the novel targeting mechanism of CDK4/6 inhibitor, Birociclib is able to demonstrate clinical benefits and market influence through multiple novel Birociclib-based combination therapies.

In the field of non-small cell lung cancer ("**NSCLC**"), XZP-3621, Xuanzhu Biopharm's new drug, has obtained approval for the commencement of phase III clinical trials from the Center for Drug Evaluation of NMPA, the specific indication of which is ALK-positive advanced non-small cell lung cancer, marking the first product of Xuanzhu Biopharm in the field of NSCLC entering key development stage. XZP-3621 is a next generation dual inhibitor of ALK/ROS1 for the treatment of NSCLC. Clinical study results have shown that XZP-3621 has curative effects on both the initial treatment of ALK inhibitors and the treated ALK-rearranged advanced NSCLC patients; that XZP-3621 has better safety and a higher safety window compared to that of first and second generation ALK inhibitors. XZP-3621 is expected to be the Best-in-class among the next generation ALK inhibitors.

In the field of solid tumors, XZP-5955 tablet, a self-developed Category 1 new drug of Xuanzhu Biopharm, has received the notice for drug clinical trial approvals during the Year. XZP-5955 shows high activity against a variety of TRK and ROS1 resistant mutations including TRKA G595R, TRKA G667C, TRKC G623R and ROS1 G2032R. XZP-5955 entered into clinical development, which will further enrich Xuanzhu Biopharm's innovative drug R&D pipeline. Its therapeutic areas covered a wide range of solid tumors such as lung cancer, gastric cancer and sarcoma, with potential clinical value in both adults and children. XZP-5955 is expected to be the core product of dual targeted tyrosine kinase inhibitor for the second generation of NTRK and ROS1 with independent intellectual property rights in China.

In the field of digestion, the NDA for Xuanzhu Biopharm's self-developed Anaprazole Sodium Enteric Dissolve Tablets has been accepted by the NMPA. Anaprazole sodium, the only Chinese domestically self-developed PPI inhibitor of the new generation, is used to treat duodenal ulcers. Clinical data shows that the safety and symptom relief abilities of anaprazole sodium developed by the Group are the best-in-class among similar products. This NDA for anaprazole sodium was the first NDA submitted by Xuanzhu Biopharm, and its acceptance marks a new milestone for Xuanzhu Biopharm to move from research and development to commercialization.

In addition, Xuanzhu Biopharm's self-developed XZP-5610 and XZP-6019 for the treatment of non-alcoholic steatohepatitis ("**NASH**") have both been approved by the NMPA to conduct clinical trials. Fadanafil, a new self-developed PDE-5 inhibitor, has obtained IND approval in relation to indications for Pulmonary Arterial Hypertension ("**PAH**"). The R&D progress of various products has been accelerated and the product pipeline has made rapid progress.

During the Year, Xuanzhu Biopharm also continuously strengthened the business development. It cooperated with a number of biotechnology companies to introduce blockbuster products and enrich its own product pipeline during the Year. In September, Xuanzhu Biopharm and SignalChem Lifesciences Corporation ("**SignalChem**") entered into a collaboration and licensing agreement for the development and commercialization interests of SLC-391 (currently known as XZB-0004), a highly potent and highly selective AXL inhibitor, in the Greater China region, pursuant to which the Group will obtain the exclusive research, development, manufacture and commercialization rights for each indication of XZB-0004 in the field of oncology treatment in the Greater China region (Mainland China, Hong Kong, Macau and Taiwan). XZB-0004 is a potent, highly selective and orally bioavailable small molecule AXL inhibitor. Current preclinical investigational data shows that it is a "Best-in-Class" inhibitor and has the potential to become a "First-in-Class" ("**FIC**") inhibitor.

In addition, in August 2021, Xuanzhu Biopharm and the U.S. company HB Therapeutics, Inc. ("**HB**") have agreed to collaborate and will jointly develop a novel targeted protein degradation technology, including three potential non-druggable targets for FICs, pioneering the molecular glue degrader pipeline of innovative drugs. Xuanzhu Biopharm will acquire the right to develop, manufacture and commercialize the co-developed programs in the Greater China region. Targeted protein degradation (TPD) is a novel therapeutic method and it represents a revolutionary drug discovery opportunity and is anticipated to bring about a paradigm shift in modern healthcare.

During the Year, Beijing Xuanzhu Kangming Biological Pharmaceutical Co., Ltd. ("**Xuanzhu Kangming**"), a large molecule biological drug platform of Xuanzhu Biopharm, and WuXi XDC ("**WuXi XDC**"), a global CDMO company dedicated to end-to-end bioconjugates services under WuXi Biologics (Cayman) Inc. (stock code: 2269), have reached a collaboration on the development and manufacturing of an innovative oncology drug KM501, a bispecific antibody drug conjugate (ADC). KM501 bispecific ADC is a bispecific antibody drug conjugate for the treatment of low and medium expression of HER2 and is independently developed by Xuanzhu Kangming. It is currently in the IND enabling stage of development. According to the collaboration agreement, Xuanzhu Kangming will promote the R&D process of KM501 bispecific ADC through the integrated CMC service of WuXi XDC. WuXi XDC will provide end-to-end services such as antibody, linker, payload, analytical method and process development, development and manufacturing of conjugate drug substances and drug products to support the IND application of KM501 bispecific ADC. It is expected that the establishment of this strategic collaboration with WuXi XDC will accelerate and empower the development of KM501 bispecific ADC, an innovative bispecific antibody drug conjugate.

During the Year, Xuanzhu Biopharm also successfully introduced two promising self-developed antibody technology platforms, fully expanding the depth and breadth of the Company's innovative drug product pipeline and further enhancing its innovation drive. In early 2021, Xuanzhu Biopharm completed the acquisition of Beijing Combio Pharmaceutical Inc. ("**Combio Pharmaceutical**"). Combio Pharmaceutical is an innovation-driven biological company dedicated to the R&D of multifunctional antibody drugs such as innovative bispecific antibodies and bispecific ADC. It has two antibody technology platforms, "Mab Edit" (antibody editing) and "Mebs-Ig" (antibody editing bispecific antibodies), focusing on the R&D of innovative antibody drugs for diseases such as major malignant tumors, immune system diseases, and infectious diseases, which can carry out the R&D of bispecific antibodies, ADC and other multifunctional antibody drugs simultaneously.

Furthermore, the development of Xuanzhu Biopharm also has been recognized by the capital market. In December 2021, Xuanzhu Biopharm completed a Series B financing of over RMB600 million, led by Sunshine Life and followed by Efung Capital, China Zhongji Investment, Taijin Capital, SDIC Taikang, Hai Chuang Fund of Funds, BOC Capital, Jinjiang Xuanhong, Shaanxi Financial Holding, Wanxin Investment Holding, DNV Capital, HY Capital and other renowned investment institutions. The estimated value after the investment is nearly RMB7 billion. This financing round was a new financing round following RMB963 million of Series A strategic investment led by CMG-SDIC in August 2020. The introduction of two rounds of heavyweight investors fully demonstrates that Xuanzhu Biopharm's continuous innovation capability and the Group's forward-looking layout have been recognized by the capital market.

Xuanzhu Biopharm is the core for the Group to achieve innovation driving, transformation and upgrading. In terms of R&D platform capability, Xuanzhu Biopharm has built two R&D platforms for small molecule and macro molecule, covering small molecule, monoclonal antibodies, bispecific antibodies, fusion protein, bispecific ADC, protein degradation and other fields, with the ability to sustain R&D output. In terms of the layout of its product pipeline, Xuanzhu Biopharm focuses on the more cutting-edge new

drug development fields of oncology, metabolism, anti-infection and digestion, and is committed to the development of Class 1.1 innovative drugs. In addition, leveraging the commercialization capacity of its parent company, Sihuan Pharmaceutical, Xuanzhu Biopharm is now transforming from biotechnology to biopharmaceuticals and is gradually becoming a company with excellent R&D and industrialization capabilities at the same time. In the future, as Xuanzhu Biopharm further enriches its product pipeline and advances its product development, it will become a leading biopharmaceutical company in China with comprehensive and innovative drug self-development capabilities in both small and macro molecule fields.

2.2 Huisheng Biopharm: the biopharmaceutical leader with full product coverage in the field of diabetes and complications

Huisheng Biopharm is a biopharmaceutical company of the Group focusing on the field of diabetes and complications. After seven years of construction and development, the company now has a world-class R&D team of more than 200 people. With extensive experience in R&D of diabetes drugs, it has built product pipelines of more than 40 products by using four innovative technology platforms, covering second-, third- and fourth-generation insulins (covering basic, premixed and fast-acting products), various oral hypoglycemic drugs, new targets such as DPP-4, GLP-1 and SGLT-2, and drugs for complications, etc. It is currently the only company in China that has achieved full product coverage in the field of diabetes and complications. Among others, the NDA for insulin aspart injection, insulin aspart 30 injection and insulin aspart 50 injection have been accepted by NMPA, and the innovative drug Janagliflozin is ready to submit NDA. The fourth-generation insulin degludec injection, insulin deglude and insulin aspart injection and other blockbuster pipelines, with their clinical progress leading the industry, are expected to become the first domestic marketable drugs. Its innovative products continue to emerge. Under such products, Huisheng Biopharm has a strong production capacity of over 100 million sticks yearly, ranking among the top in China, which can support an annual output value of 10 billion, and brings cost-effective production advantages by virtue of its large production capacity and high quality characteristics. Riding on the strong sales resources of its parent company Sihuan Pharmaceutical, Huisheng Biopharm also has the capacity for rapidly increasing sales volume. With full-coverage and multi-level product layout, leading and blockbuster R&D pipelines, and strong and comprehensive strategic resources, Huisheng Biopharm is gradually becoming a biopharmaceutical leader in comprehensive solutions for diabetes and complications.

During the Year, progress in the development of a number of Huisheng Biopharm's products reaped milestones. Among them, the NDA of Insulin Aspart Injection, Insulin Aspart 30 Injection and Insulin Aspart 50 Injection developed by Huisheng Biopharm has been accepted by NMPA. Huisheng Biopharm is currently the only company in China that has simultaneously applied for the biologics license of all types of insulin aspart and with all applications having been accepted, fully demonstrating the comprehensiveness and integrity of the Company's R&D strategy to meet the clinical needs of different insulin treatment options for diabetic patients.

In addition, the insulin degludes and insulin aspart injection developed by Huisheng Biopharm has successfully obtained the approval for the conduction of clinical trials from the NMPA, with its research and development progress being the first with respect to biosimilar in China. Apart from Novo Nordisk's already marketed original product Ryzodeg, no other product from other companies has been approved for clinical trials in China.

Furthermore, the liraglutide project developed by Huisheng Biopharm for the treatment of type 2 diabetes and obesity, has completed its phase I clinical study and obtained preliminary bioequivalence results on pharmacokinetics and pharmacodynamics.

China is the world's largest country with diabetes., and according to data from flow surveys, the number of diabetes patients in China reached 129.8 million in 2020, with a prevalence rate of 12.8%. Diabetes is a chronic disease requiring lifelong use of hypoglycemic drugs. Insulin and its analogues play an important role in the treatment of diabetes and there is a massive demand in the whole market, with a current share of over 50%. With the gradual move towards the listing of Huisheng Biopharm's products, it will also help the Group to accelerate the opening up of its diabetes product pipeline, quickly capture the market share, enhance the Group's comprehensive strength and significantly strengthen the Group's core competitiveness.

During the Year, Huisheng Biopharm entered into a strategic cooperation agreement with Porton Pharma Solutions Ltd. ("**Porton Pharma**") on 27 April 2021. Pursuant to the strategic cooperation agreement, Huisheng Biopharm and Porton Pharma will strategically cooperate in the therapeutic areas of diabetes and related complications in relation to the development and supply APIs and the co-development and launch of related preparations. In this strategic cooperation, Porton Pharma will provide APIs and comprehensive services for the development of preparations for Huisheng Biopharm, and will also actively explore cooperation models in the strategic supply of APIs as well as in the development of preparation techniques and process in the future. It is believed that both parties will give full play to their advantages in pharmaceutical production, sales, R&D and services, to enhance the competitiveness in the pharmaceutical market of both Huisheng Biopharm and Porton Pharma, and to achieve advantage complement, mutual benefit and joint development.

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

2.3 CDMO/CMO: "API+CDMO" integrated strategy to gain new growth momentum

At present, the competition among domestic pharmaceutical enterprises is fierce, so the capacity optimization, industry integration and structural upgrading of Chinese pharmaceutical enterprises will become increasingly important. Benefiting from global capacity transfer and domestic policy dividends, China's CDMO market is expected to reach US$52.6 billion in 2024, and is expected to reach the level of US$100 billion in the future.

In 2020, the Group revitalized its redundant API production resources and production capacity from its subsidiaries. Relying on the Group's strengths in R&D and industrialization of pharmaceutical intermediates and APIs, and implementing the integrated strategy of "API + CDMO", the Group has established an API + CDMO platform to gain new growth momentum and aims to become a leading integrated CDMO company in the field of pharmaceutical intermediates and APIs. After a year of development, the Group has successfully built a CDMO/CMO platform with approximately 180 projects and approximately 40 customers. The Group has also cooperated with domestic leading CDMO companies.

In the field of API intermediates, the Group has a rich customer base, including over 100 overseas customers, of which 50% are from Japan and South Korea, 20% from Europe, and 20% from India, including Kaneka, the generic drug company in Japan, Hanmi and Dong-A, the generic drug companies in South Korea, and more than half of the top 20 factories of companies in India, which all maintained long-term and friendly partnership with the Group; it also has nearly 50 customers in China, including Hengrui Pharmaceutical, Chia Tai Tianqing Pharmaceutical, Yangtze River Pharmaceutical, and Kelun Pharmaceutical, etc.

In addition, the Group has started the equity acquisition of Jilin Aotong Chemical Co., Ltd. and Jilin Jiahui Chemical Co., Ltd. through Jilin Shengtong, a subsidiary of the Company since 2020. As at 31 December 2021, the Group held 100% equity interest in Jilin Aotong and 75% equity interest in Jilin Jiahui, respectively. The acquisition will be taken as the key link in Group's entire industry chain layout.

2.4 Generic drugs: stable "cash cow" of the Group to guarantee long-term and steady development of the Group

As a strong "cash cow" business of the Group, the sustained and steady growth of generic drug business further supports the continuous growth of the Group's revenue and profit, and also provides strong support for the development of innovative drug platform. During the Year, the income from generic drug business segment reached RMB2,598.1 million, representing a year-on-year increase of 18.2%.

Generic drug platform of the Group has nearly 100 products under development, dozens of which are high-end generic drugs with high technical barriers. By accelerating the pace of product cultivation and enriching existing product pipeline, the generic drug business has become an important "cash cow" business for the Group.

During the Year, the Pantoprazole Sodium Injection (40mg/unit) and Octreotide Acetate Injection (1ml: 0.05mg, 1ml: 0.1mg, 1ml: 0.3mg) developed by the Group have obtained the notice of approval of supplemental applications on the products that passed the consistency evaluation issued by the NMPA. In addition, eight drugs developed by the Group such as Rivaroxaban Tablet (10mg and 15mg), Ambroxol Hydrochloride Injection (2ml: 15mg), Lacosamide Tablets (50mg and 100mg), Moxifloxacin Hydrochloride and Sodium Chloride Injection, Caspofungin Acetate for Injection (50mg), Clopidogrel Bisulfate Tablets (75mg), Fondaparinux Sodium Injection (0.5ml: 2.5mg) and Ticagrelor Tablet (60mg and 90mg) have obtained the Drug Registration Certificate issued by the NMPA, approving the manufacture of the drugs.

During the Year, Hainan Sihuan Pharmaceutical Co., Ltd., a subsidiary of the Group, entered into a general marketing services agreement with Pharmadax (Foshan) Co., Ltd. for the products relating to the Metoprolol Succinate Sustained-release Tablets (23.75mg/47.5mg/95mg/190mg) on 30 March 2021, and the Group owned the exclusive marketing rights for the Product in the mainland of the PRC. Subsequently, Metoprolol Succinate Sustained-release Tablets (47.5mg, 95mg) were granted the Drug Registration Certificate from NMPA in September 2021.

The key core product, Kelinao (Cinepazide Maleate Injection), was approved for a new indication through a large-scale evidence-based clinical study with 1,301 cases, demonstrating its clinical value in treatment for cerebrovascular disease and is the only approved drug in the field of stroke treatment since post-marketing clinical studies were conducted in China. The Group is expected to continue to get Kelinao back to NRDL through evidence-based medicine and achieve a resurgence in sales. The high technology barrier product Non-PVC Solid-liquid Double Chamber Infusion Soft Bag, which includes "non-PVC solid-liquid double chamber bag for cefuroxime sodium/sodium chloride injection", "non-PVC solid-liquid double chamber bag for ceftazidime/sodium chloride injection" and "non-PVC solid-liquid double chamber bag for cefodizime sodium/sodium chloride injection", as well as "non-PVC solid-liquid double chamber bag for cefodizime sodium/5% glucose injection", has obtained drug registration approval. This product has a high R&D technology barrier with a long development period and is expected to achieve rapid growth after its official launch.

In the fields of modern Chinese medicine and industrial hemp, Jilin Sihuan Aokang Pharmaceutical Co., Ltd., a subsidiary of the Group, has seized the development opportunity and prioritized a comprehensive layout. In the field of pharmaceutical manufacturing, Aokang Yaoye has 164 production varieties of Chinese medicines and chemical medicines with approval numbers, of which 128 varieties are national medical insurance varieties, and 4 national exclusive varieties are "Haitianyishen Capsule", "Niuhuang Qingnao Kaiqiao Pills", "Caoxian Hepatitis B Capsule" and "Gandan Shuangqing Granules". In the field of industrial hemp, aiming at the R&D and industrialization of high-content CBD medicinal and medical materials, the Group's subsidiary Jilin Aokang Yaoye explores the entire industrial chain from upstream cultivation, extraction and processing to downstream application, and is committed to building an R&D, production and marketing center of industrial hemp in northern China.

With the gradual implementation of production and sales layout of these products and relying on the Group's inherent high-efficiency and low-cost production platform, as well as its nationwide professional and efficient academic marketing platform, these newly launched products will quickly penetrate into the market and achieve high-speed "monetization", further ensuring the continuous growth of revenue and profit of the generic drug business segment.

Prospects and Future Growth Strategies

The medical aesthetic business has brought vigorous revenue and profit growth, and the pharmaceutical business has become an innovative but not "money burning "drug R&D, production and sales integration platform

The business and corporate value of the Group will further realize upgrade in 2022 based on the high growth of 2021.

The Group's medical aesthetic business bid farewell to the single product distribution sales model and grew into an international medical aesthetic platform integrating R&D, production and sales with a full product matrix covering the life cycle of beauty lovers. The domestic research institutions of the Group will continue to promote the R&D of medical aesthetic products. Dozens of class II products, class III PLLA filler (童顏針) and PCL filler (少女針) in the self-developed product pipeline are expected to take place successively in the next few years. In addition, the Group is using the Meiyen Laboratory Inc (漾顏實驗室) established in the United States as the Group's overseas product R&D and introduction center. It will continue to introduce overseas cutting-edge medical aesthetic technologies and products, and bring them back to China for technology transformation and product production and sales. The Group will inherit the high-quality and leading production capacity of Sihuan in the past, realize the large-scale production of various new medical aesthetic products through three domestic production bases, and rapidly increase its volume of new products in the market through the Company's experienced sales team and professional marketing network covering the whole country. Looking forward to the future development direction of the Group's medical aesthetic business, we will learn the development experience from international giant Allergan, and achieve the goal of building a leading platform for the domestic medical aesthetic industry through comprehensive product matrix, "self-developed + BD" dual engine-driven and overseas high-quality mergers and acquisitions.

The Group's pharmaceutical business will further focus on and accelerate the process of transformation and development to independent R&D and innovative drug enterprises. The innovative drug platform is on the threshold of realizing a leap from product R&D to commercial development, and launching the first new drug application respectively.

Xuanzhu Biopharm will continue to promote the product R&D and insistently adhere to independent R&D and continuous innovation. It aims at transforming the R&D investment into profit and from Biotech to Biopharma, so as to become a leading innovative drug company focusing on the field of tumor drugs as well as small molecules and large molecules with the capabilities to develop comprehensive innovative new drugs in China.

Huisheng Biopharm focuses on R&D, production and sales of drugs for diabetes and complications. Through a complete layout of multi mechanisms, multiple varieties of diabetes pipelines, we provide full coverage and comprehensive treatment solutions. With its localized production and cost advantages, Huisheng Biopharm will build a nationwide online and offline dimensional sales network to further achieve the strategic goal of building a biopharmaceutical leader in the field of diabetes and complications with a full product matrix coverage.

The implementation of the Group's CDMO/CMO business will also be gradually included into sequence projects, relying on its high-quality customer resources and adhering to the integration strategy of "API + CDMO" to achieve sustained high business growth. The Group's generic drug business will continue to promote the large-scale growth of the registration, listing and sales of high-quality and high-end generic drugs, continuously being the Group's steady "cash cow" to ensure the long-term and steady development of the Group. Through its strong registration ability, production capabilities of high efficiency, low cost and full coverage of various dosage forms and a comprehensive and professional academic marketing platform, it ensures the successful listing of existing products and new products and the continuous growth of sales volume, so as to provide the Company with stable and sustainable cash flow. At the same time, it ensures that the innovative drug sector can be continuously invested in R&D so as to promote the release of enterprises value without relying on external emergency aid.

Through the continuous implementation and commercialization of high-quality product pipelines in the medical aesthetic and pharmaceutical sectors, combined with the strong cash generating capacity of the Company's high-end generic drug business, and relying on the Group's strong registration capacity, high efficiency, low cost and full coverage of various dosage forms and a comprehensive, professional and efficient academic marketing platform, it will help the rapid commercialization of a number of new products to be launched, and promote the continuous high growth and value amplification of the Group's overall business.

Conclusion

Sihuan Pharmaceutical always insists on being a friend of time and builds the Group's product pipeline with high-quality ingenuity. In 2022, both medical aesthetic and pharmaceutical business will step into the product harvesting period. The self-developed product pipeline will be gradually launched on the market or achieve phased clinical trial results, and more projects in product introduction, acquisition and merger will be gradually implemented, in order to further expand the product pipeline, build a complete product matrix and grow steadily. The Group will continue to implement the two-wheel drive strategy of "medical aesthetic plus pharmaceutical" with high efficiency, further achieve the strategic goal of building China's leading medical aesthetic and biopharmaceutical enterprise, and bring more and better investment returns to the respected shareholders and investors who have always firmly believed in and supported the Group.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	**2021** ***RMB'000***	2020 *RMB'000*
CONTINUING OPERATIONS			
Revenue	*4*	**3,291,270**	2,464,226
Cost of sales		**(842,754)**	(549,777)
GROSS PROFIT		**2,448,516**	1,914,449
Other income	*4*	**192,263**	172,560
Other gains – net	*4*	**254,878**	249,619
Gain on derecognition of subsidiaries		**–**	72,307
Gain on deemed disposal of a subsidiary	*22*	**59,228**	–
Impairment losses on intangible assets		**(131,297)**	–
Distribution expenses		**(547,490)**	(368,792)
Administrative expenses		**(607,488)**	(489,784)
Research and development expenses		**(868,069)**	(729,157)
Other expenses		**(36,600)**	(34,077)
OPERATING PROFIT		**763,941**	787,125
Finance expenses	*5*	**(119,311)**	(8,217)
Share of losses of investments accounted for using the equity method	*12*	**(158,581)**	(13,064)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	*6*	**486,049**	765,844
Income tax expense	*7*	**(253,279)**	(219,040)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**232,770**	546,804
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	*8*	**–**	(34,917)
PROFIT FOR THE YEAR		**232,770**	511,887

	Notes	2021 *RMB'000*	2020 *RMB'000*
Attributable to:			
Owners of the Company		**416,509**	473,382
Non-controlling interests		**(183,739)**	38,505
		232,770	511,887
PROFIT FOR THE YEAR		**232,770**	511,887
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**–**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**232,770**	511,887
Attributable to:			
Owners of the Company		**416,509**	473,382
Non-controlling interests		**(183,739)**	38,505
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**232,770**	511,887
		RMB	*RMB*
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*9*		
Basic earnings per share			
For profit for the year		**4.42 cents**	5.00 cents
For profit from continuing operations		**4.42 cents**	5.31 cents
Diluted earnings per share			
For profit for the year		**4.39 cents**	5.00 cents
For profit from continuing operations		**4.39 cents**	5.31 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	As at 31 December 2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**3,304,929**	3,053,288
Investment properties		**224,269**	232,173
Right-of-use assets		**787,773**	787,973
Goodwill		**28,352**	12,312
Intangible assets	*11*	**595,916**	505,621
Investments accounted for using the equity method	*12*	**705,533**	1,070,387
Financial assets at fair value through profit or loss	*13*	**266,999**	196,153
Other non-current assets		**392,302**	367,869
Deferred tax assets		**303,464**	269,449
Pledged deposits	*17*	**144,631**	144,548
Total non-current assets		**6,754,168**	6,639,773
CURRENT ASSETS			
Inventories		**715,298**	495,889
Trade and other receivables	*14*	**1,234,428**	971,540
Financial assets at fair value through profit or loss	*13*	**109,304**	332,683
Cash and cash equivalents		**5,682,425**	4,604,041
Total current assets		**7,741,455**	6,404,153
TOTAL ASSETS		**14,495,623**	13,043,926
EQUITY			
Equity attributable to owners of the Company			
Share capital	*15*	**77,058**	78,186
Share premium	*15*	**3,882,304**	4,084,846
Other reserves	*16*	**(221,437)**	725,222
Retained earnings	*16*	**4,546,223**	4,302,088
		8,284,148	9,190,342
Non-controlling interests		**865,918**	758,383
Total equity		**9,150,066**	9,948,725

		As at 31 December	
		2021	2020
	Notes	***RMB'000***	*RMB'000*
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**222,390**	225,688
Interest-bearing bank borrowings	*17*	**813,216**	331,173
Lease liabilities		**31,463**	2,510
Contract liabilities		**9,969**	–
Other non-current liabilities	*18*	**1,766,684**	92,744
Total non-current liabilities		**2,843,722**	652,115
CURRENT LIABILITIES			
Trade and other payables	*19*	**1,971,289**	1,830,161
Interest-bearing bank borrowings	*17*	**200,000**	387,930
Contract liabilities		**206,425**	186,629
Income tax payable		**111,247**	22,445
Lease liabilities		**5,193**	1,441
Other current liabilities	*18*	**7,681**	14,480
Total current liabilities		**2,501,835**	2,443,086
TOTAL LIABILITIES		**5,345,557**	3,095,201
TOTAL EQUITY AND LIABILITIES		**14,495,623**	13,043,926

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	**2021** ***RMB'000***	2020 *RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations		**868,825**	441,344
Income tax paid		**(203,532)**	(214,213)
Net cash flows from operating activities		**665,293**	227,131
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions of/capital contribution to associates and a joint venture	*12*	**–**	(105,291)
Advances of loans to third parties		**(4,346)**	(11,025)
Advances of loans to associates		**(70,371)**	(71,055)
Repayment of loans from third parties		**15,058**	6,037
Repayment of loans from associates		**37,412**	15,000
Acquisitions of subsidiaries, net of cash		**(153,377)**	1,508
Disposals of subsidiaries, net of cash		**–**	117,571
Purchases of items of property, plant and equipment		**(601,017)**	(506,639)
Purchases of intangible assets		**(124,565)**	(73,975)
Prepaid land lease payments		**(41,847)**	–
Purchases of financial assets at fair value through profit or loss		**(20,041,950)**	(18,806,553)
Proceeds from disposal of financial assets at fair value through profit or loss		**20,193,103**	18,593,926
Proceeds from disposal of items of property, plant and equipment		**3,133**	5,512
Increase in pledged deposits		**(83)**	(144,548)
Dividend received		**317,637**	–
Interest received		**133,644**	54,755
Net cash flows used in investing activities		**(337,569)**	(924,777)

	Notes	2021 *RMB'000*	2020 *RMB'000*
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of bank borrowings		**(537,970)**	(376,075)
Proceeds from bank borrowings		**832,083**	1,103,178
Repayment of other borrowings		**(4,470)**	–
Proceeds from other borrowings		**4,000**	–
Repurchase of shares		**(206,407)**	–
Share option exercised		**2,737**	–
Principal portion of lease payments		**(3,187)**	(3,152)
Acquisition of non-controlling interests		**(5,250)**	(10,000)
Non-controlling interests arising on establishing a subsidiary		**1,000**	–
Partial disposal of equity interests in subsidiaries without change of control		**104,230**	–
Capital Contribution by non-controlling shareholders of subsidiaries		**788,215**	915,224
Dividends paid to the Company's shareholders and non-controlling shareholders		**(196,389)**	(1,444,352)
Interest paid		**(27,932)**	(279)
Net cash flows from financing activities		**750,660**	184,544
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**1,078,384**	(513,102)
Cash and cash equivalents at beginning of year		**4,604,041**	5,117,143
CASH AND CASH EQUIVALENTS AT END OF YEAR		**5,682,425**	4,604,041
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**3,689,923**	2,947,415
Unpledged time deposits		**1,992,502**	1,656,626
Cash and cash equivalents as stated in the consolidated statement of cash flows		**5,682,425**	4,604,041

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL INFORMATION

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

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

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

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

These financial statements have been approved for issue by the board of directors on 29 March 2022.

2. BASIS OF PREPARATION

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

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

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

Changes in accounting policies and disclosures

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to IFRS 16	*COVID-19 Related Rent Concessions beyond 30 June 2021* (early adopted)

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

(a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("**RFR**"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

   The amendments did not have any impact on the financial position and performance of the Group.

(b) Amendment to IFRS 16 issued in March 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

   The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

3. SEGMENT INFORMATION

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

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

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

(c) the generic medicine segment.

The chief operating decision-maker has been identified as the executive directors of the board of the Company who review the Group's internal reports in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The executive directors of the board of the Company consider the business from the product perspective. Prior to 1 January 2021, the Group was engaged in one business segment. During the year ended 31 December 2021, the Group has successfully transformed itself into a medical aesthetic and pharmaceutical company. The revenue from medical aesthetic products increased significantly to RMB398,954,000 (2020: RMB26,867,000). The Group has changed the structure of its internal organisation in a manner which resulted in the change in reportable segments into three business segments, being the medical aesthetic products, innovative medicine and other

medicine and generic medicine. Accordingly, the corresponding information for the year ended 31 December 2020 has been restated.

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

Year ended 31 December 2021	**Medical aesthetic products** *RMB'000*	**Innovative medicine and other medicine** *RMB'000*	**Generic medicine** *RMB'000*	**Total** *RMB'000*
Segment revenue				
Sales to external customers	**398,954**	**294,175**	**2,598,141**	**3,291,270**
Intersegment sales	**–**	**63,814**	**–**	**63,814**
	398,954	**357,989**	**2,598,141**	**3,355,084**
Reconciliation:				
Elimination of intersegment sales				**(63,814)**
Revenue from continuing operations				**3,291,270**
Segment results	**248,472**	**(889,574)**	**1,307,001**	**665,899**
Reconciliation:				
Unallocated other income				**22,778**
Unallocated other gains – net				**59,235**
Unallocated expenses				**(101,930)**
Unallocated finance expenses				**(1,352)**
Share of losses of investments accounted for using the equity method				**(158,581)**
Profit before tax from continuing operations				**486,049**

Year ended 31 December 2020	Medical aesthetic products *RMB'000*	Innovative medicine and other medicine *RMB'000*	Generic medicine *RMB'000*	Total *RMB'000*
Segment revenue				
Sales to external customers	26,867	239,165	2,198,194	2,464,226
Intersegment sales	–	213,440	–	213,440
	26,867	452,605	2,198,194	2,677,666
Reconciliation:				
Elimination of intersegment sales				(213,440)
Revenue from continuing operations				2,464,226
Segment results	23,191	(472,240)	1,374,647	925,598
Reconciliation:				
Unallocated other income				20,085
Unallocated other losses – net				(72,718)
Unallocated expenses				(94,057)
Share of losses of investments accounted for using the equity method				(13,064)
Profit before tax from continuing operations				765,844

Since nearly all of the Group's non-current assets were located in Mainland China and almost all of the revenue of the Group's is derived from operations in the Mainland China for the years ended 31 December 2021 and 2020, no geographical segment information is presented in accordance with IFRS 8 Operating Segments.

During the year ended 31 December 2021, all sales were from distributors and there were no distributors of the Group from which the revenue amounted to 10% or more of the Group's revenue (2020: Nil).

4. REVENUE, OTHER INCOME AND GAINS

	2021	2020
	RMB'000	*RMB'000*
Revenue		
Total revenue from contracts with customers	**3,291,270**	2,464,226

Revenue from contracts with customers

(a) Disaggregated revenue information

	2021	2020
	RMB'000	*RMB'000*
Type of goods		
Sale of pharmaceutical products and medical aesthetic products	**3,291,270**	2,464,226
Total revenue from contracts with customers	**3,291,270**	2,464,226
Geographical market		
Mainland China	**3,291,270**	2,464,226
Total revenue from contracts with customers	**3,291,270**	2,464,226
Timing of revenue recognition		
Goods transferred at a point in time	**3,291,270**	2,464,226
Total revenue from contracts with customers	**3,291,270**	2,464,226

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

Year ended 31 December 2021	**Medical aesthetic products** *RMB'000*	**Innovative medicine and other medicine** *RMB'000*	**Generic medicine** *RMB'000*	**Total** *RMB'000*
Segment Revenue				
Sales to external customers	**398,954**	**294,175**	**2,598,141**	**3,291,270**
Intersegment sales	**–**	**63,814**	**–**	**63,814**
	398,954	**357,989**	**2,598,141**	**3,355,084**
Reconciliation:				
Elimination of intersegment sales				**(63,814)**
Revenue from continuing operations				**3,291,270**

Year ended 31 December 2020	Medical aesthetic products *RMB'000*	Innovative medicine and other medicine *RMB'000*	Generic medicine *RMB'000*	Total *RMB'000*
Segment Revenue				
Sales to external customers	26,867	239,165	2,198,194	2,464,226
Intersegment sales	–	213,440	–	213,440
	26,867	452,605	2,198,194	2,677,666
Reconciliation:				
Elimination of intersegment sales				(213,440)
Revenue from continuing operations				2,464,226

The following table shows the amounts of revenue recognised for the year that were included in the contract liabilities at the beginning of the year and recognised from performance obligations satisfied in previous years:

	As at 31 December	
	2021 *RMB'000*	2020 *RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the year:		
Sale of pharmaceutical products and medical aesthetic products	**186,354**	316,995

(b) Performance obligations

Sale of pharmaceutical products and medical aesthetic products

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

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

	2021	2020
	RMB'000	*RMB'000*
Other income		
Interest income	**163,948**	135,728
Sale of distribution rights (i)	**3,526**	9,300
R&D income (ii)	**6,183**	13,386
Gross rental income from investment property operating leases (iii)	**7,116**	7,433
Others	**11,490**	6,713
	192,263	172,560

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

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Amounts expected to be recognised as other income:		
Within one year	**5,383**	275
After one year	**9,969**	–
	15,352	275

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

	2021	2020
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the year:		
Sale of distribution rights	**275**	9,300

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

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

	2021	2020
	RMB'000	*RMB'000*
Geographical markets		
Hong Kong	**5,219**	6,597
Mainland China	**1,897**	836
	7,116	7,433

	2021	2020
	RMB'000	*RMB'000*
Other gains – net		
Government grants (i)	**250,805**	156,228
Gain on deemed disposal of interest in an associate	**7,136**	80,488
Exchange (losses)/gains, net	**(4,571)**	7,272
Fair value gain on financial assets at fair value through profit or loss	**1,304**	2,683
Gain on acquisition of a subsidiary	**–**	2,830
Others	**204**	118
	254,878	249,619

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

5. FINANCE EXPENSES

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

	2021	2020
	RMB'000	*RMB'000*
Interest expenses on:		
Interest-bearing bank and other borrowings	**44,739**	10,929
Redemption liabilities on subsidiary's shares	**89,283**	–
Lease liabilities	**815**	279
Total interest expense on financial liabilities not at fair value through profit or loss	**134,837**	11,208
Less: Interest capitalised	**(15,526)**	(2,991)
	119,311	8,217

6. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

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

	Notes	**2021** ***RMB'000***	2020 *RMB'000*
Employee benefit expenses (including directors' and chief executive's remuneration)			
Wages and salaries		**540,373**	501,370
Pension scheme contributions (i)		**96,796**	49,428
Welfares		**19,997**	17,509
Share-based payments		**59,350**	23,176
		716,516	591,483
Research expenses		**571,771**	538,498
Cost of inventories sold (ii)		**613,840**	436,299
Depreciation of property, plant and equipment (iii)		**246,095**	215,580
Depreciation of right-of-use assets (iii)		**23,472**	21,465
Amortisation of intangible assets (iii)	*11*	**31,896**	28,180
Loss on disposal of property, plant and equipment		**2,411**	1,936
Impairment losses on intangible assets		**131,297**	–
Write-down of inventories to net realisable value		**9,047**	10,014
Lease payments not included in the measurement of lease liabilities		**8,113**	5,336
Auditor's remuneration		**5,000**	5,000
Bank charges		**2,109**	1,267

(i) There are no forfeited contributions at 31 December 2021 (2020: Nil) that may be used by the Group as the employer to reduce the existing level of contributions in the future years.

(ii) Cost of inventories sold represent the cost of raw materials used in the inventories, which did not include direct labours, manufacturing overheads.

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

	2021 ***RMB'000***	2020 *RMB'000*
Included in:		
Cost of sales	**132,057**	122,829
Research and development expenses	**77,338**	58,789
Distribution expenses	**74**	303
Administrative expenses	**91,994**	83,304

7. INCOME TAX EXPENSE

The income tax expense of the Group for the years ended 31 December 2021 and 2020 is analysed as follows:

	2021	2020
	RMB'000	*RMB'000*
Current tax	**290,592**	147,200
Deferred tax	**(37,313)**	71,840
Income tax expense from continuing operations	**253,279**	219,040
Income tax expense from discontinued operations	**–**	–
	253,279	219,040

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

	2021	2020
	RMB'000	*RMB'000*
Profit/(loss) before tax	**486,049**	730,927
From continuing operations	**486,049**	765,844
From discontinued operations	**–**	(34,917)
Tax calculated at the PRC applicable statutory tax rate of 25% (2020: 25%)	**121,512**	182,732
Tax effects of:		
– Utilisation of previously unrecognised tax losses	**(59,119)**	(24,858)
– Effect of tax concessions and exemption	**(344,811)**	(197,422)
– Expenses not deductible for tax purposes	**1,073**	1,372
– Adjustments recognised in the period for current tax of prior periods	**30,685**	14,657
– Profits attributable to associates and joint ventures	**37,868**	4,131
– Effect on opening deferred tax at increase in rates	**3,666**	–
– Income not subject to tax	**(4,733)**	(7,750)
– Tax losses for which no deferred tax asset was recognised	**467,138**	246,178
Income tax expense	**253,279**	219,040

Bermuda profits tax

The Group was not subject to any taxation in this jurisdiction during the year (2020: Nil).

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Group operates.

PRC corporate income tax ("**PRC CIT**")

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

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

Certain subsidiaries of the Group were qualified as high-tech enterprises. Accordingly, those subsidiaries' corporate income tax for 2021 and 2020 was provided at the rate of 15%.

A subsidiary of the Group was enjoyed a national western development tax preference at the rate of 15% and the local tax bureau provided more tax preference at the rate of 12% in 2021 (2020: 9%).

8. DISCONTINUED OPERATIONS

On 15 June 2020, the Company's resolution on disposals of Chonghui Investment Limited ("**Chonghui**") and Tengwei Investment Limited ("**Tengwei**") was duly passed. In 2020, Chonghui and Tengwei were disposed of, and excluded from the financial statements of the Group.

The results of the discontinued operations for the period from 1 January 2020 to the disposal date are presented below:

	For the period from 1 January to the disposal date *RMB'000*
Revenue	8,868
Cost of sales	(3,354)
Expenses	(36,971)
Share of losses of investments accounted for using the equity method	(3,460)
Loss before tax	(34,917)
Income tax:	
Related to pre-tax profit	–
Loss for the period	(34,917)

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

	For the period from 1 January to the disposal date *RMB'000*
Operating activities	9,390
Investing activities	(22,639)
Financing activities	145,800
Net cash inflow	132,551
Basic and diluted loss per share from discontinued operations (RMB cents per share)	(0.31)

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

	For the period from 1 January to the disposal date
Loss attributable to owners of the Company (RMB'000)	(29,187)
Weighted average number of ordinary shares in issue during the period for basic and diluted loss per share calculation (Share'000)	9,465,682

9. EARNINGS PER SHARE

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to the owners of Company of RMB416,509,000 (2020: RMB473,382,000), and the weighted average number of ordinary shares of 9,431,297,000 (2020: 9,465,682,000) in issue during the year, as adjusted to reflect the repurchased shares during the year.

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

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

	2021	2020
	RMB'000	*RMB'000*
Earnings		
Profit attributable to owners of the Company, used in the basic earnings per share calculation		
From continuing operations	**416,509**	502,569
From discontinued operations	**–**	(29,187)
Profit attributable to owners of the Company	**416,509**	473,382

	2021	2020
	Share'000	*Share'000*
Shares		
Weighted average number of ordinary shares in issue for basic earnings per share	**9,431,297**	9,465,682
Effect of dilution – weighted average number of ordinary shares:		
Share options (i)	**52,086**	–
	9,483,383	9,465,682

(i) No adjustment has been made to the basic earnings per share amounts presented for the year ended 31 December 2020 in respect of a dilution as the impact of share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

	2021 *RMB*	2020 *RMB*
Basic earnings per share		
For profit for the year	**4.42 cents**	5.00 cents
For profit for the continuing operations	**4.42 cents**	5.31 cents
Diluted earnings per share		
For profit for the year	**4.39 cents**	5.00 cents
For profit from continuing operations	**4.39 cents**	5.31 cents

10. DIVIDENDS

The dividends paid in 2021 and 2020 were RMB123,054,000 and RMB1,419,852,000 respectively. A final cash dividend and a special cash dividend for the year ended 31 December 2021 of RMB121,290,000 and RMB886,350,000, respectively were recommended by the Board and will be subject to approval at the forthcoming annual general meeting of the Company.

Dividends paid to owners of the Company during the year:

	2021 *RMB'000*	2020 *RMB'000*
Final 2020 dividend of RMB1.3 cents (2020: Final 2019 dividend of RMB1.3 cents) per ordinary share	**123,054**	123,054
Special cash dividend of Nil (2020: RMB10.6 cents per ordinary share)	**–**	1,003,362
Interim dividend of Nil (2020: RMB0.1 cents per ordinary share)	**–**	9,466
Interim special cash dividend of Nil (2020: RMB3.0 cents per ordinary share)	**–**	283,970
	123,054	1,419,852

Dividends proposed by the Company for the year:

	2021 *RMB'000*	2020 *RMB'000*
Proposed final cash dividend of RMB1.3 cents (2020: RMB1.3 cents) per ordinary share	**121,290**	123,054
Proposed special cash dividend of RMB9.5 cents (2020: RMB10.6 cents) per ordinary share(i)	**886,350**	1,003,362
	1,007,640	1,126,416

(i) The special cash dividend of RMB1,003,362,000 (RMB10.6 cents per ordinary share) paid in 2020 was proposed on 3 May 2020 and approved at the special general meeting of the Company held on 15 June 2020.

11. INTANGIBLE ASSETS

	Product development in progress *RMB'000*	Deferred development costs *RMB'000*	Trademark and software *RMB'000*	Customer relationships *RMB'000*	Total *RMB'000*
At 1 January 2020:					
Cost	385,362	1,478,831	54,964	433,932	2,353,089
Accumulated amortisation	–	(525,956)	(27,916)	(433,932)	(987,804)
Impairment	(123,630)	(758,098)	(3,549)	–	(885,277)
Net carrying amount	261,732	194,777	23,499	–	480,008
Cost at 1 January 2020, net of accumulated amortisation and impairment	261,732	194,777	23,499	–	480,008
Additions	40,360	25,740	7,834	–	73,934
Acquisitions of subsidiaries	–	90	–	–	90
Amortisation charge	–	(25,906)	(2,836)	–	(28,742)
Disposal	–	–	(13,141)	–	(13,141)
Disposals of subsidiaries	–	–	(6,528)	–	(6,528)
Net carrying amount at 31 December 2020	302,092	194,701	8,828	–	505,621
At 31 December 2020 and at 1 January 2021:					
Cost	425,722	1,504,661	40,523	433,932	2,404,838
Accumulated amortisation	–	(551,862)	(28,146)	(433,932)	(1,013,940)
Impairment	(123,630)	(758,098)	(3,549)	–	(885,277)
Net carrying amount	302,092	194,701	8,828	–	505,621
Cost at 1 January 2021, net of accumulated amortisation and impairment	**302,092**	**194,701**	**8,828**	**–**	**505,621**
Additions	**117,537**	**–**	**7,028**	**–**	**124,565**
Additions due to business combination (note 21)	**122,073**	**–**	**6,850**	**–**	**128,923**
Amortisation charge	**–**	**(30,402)**	**(1,494)**	**–**	**(31,896)**
Impairment (i)	**(131,297)**	**–**	**–**	**–**	**(131,297)**
Net carrying amount at 31 December 2021	**410,405**	**164,299**	**21,212**	**–**	**595,916**
At 31 December 2021:					
Cost	**665,332**	**1,504,661**	**54,401**	**433,932**	**2,658,326**
Accumulated amortisation	**–**	**(582,264)**	**(29,640)**	**(433,932)**	**(1,045,836)**
Impairment	**(254,927)**	**(758,098)**	**(3,549)**	**–**	**(1,016,574)**
Net carrying amount	**410,405**	**164,299**	**21,212**	**–**	**595,916**

(i) Due to the fierce competition within the pharmaceutical industry and the limitation of the Group's resource, the management of the Group considered the future return rate of certain projects was low and decided to discontinue further development of the aforementioned projects. Accordingly, the Group recognised full impairment loss for the carrying values of certain product development in progress and an impairment loss amounting to RMB131,297,000 in relation to the innovative medicine and other medicine segment was recorded during the year ended 31 December 2021. This amount of impairment loss was assessed based on the individual-asset level, and was not included in the impairment testing based on CGUs.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Share of net assets	**234,641**	583,326
Goodwill on acquisition	**470,892**	487,061
	705,533	1,070,387
Provision for impairment	**–**	–
	705,533	1,070,387

	2021	2020
	RMB'000	*RMB'000*
Opening balance at 1 January	**1,070,387**	1,083,858
Addition of associates	**–**	98,426
Dividends declared by associates	**(317,637)**	–
Addition resulting from deemed dilution (i)	**104,228**	–
Capital contribution to an existing joint venture	**–**	6,865
Derecognition of associates	**–**	(72,937)
Derecognition of joint ventures	**–**	(109,789)
Gain on deemed disposal of interest in an associate	**7,136**	80,488
Share of post-tax profits and losses of associates and joint ventures	**(158,581)**	(16,524)
Closing balance at 31 December	**705,533**	1,070,387

(i) The Group's equity interest in Jilin Zesheng Environmental Protection Engineering Co., Ltd. ("**Jilin Zesheng**"), a wholly-owned subsidiary, was diluted during the year ended 31 December 2021 following the capital injection from a third-party investor. As a result, Jilin Zesheng became an associate of the Group and an addition of associates amounting to RMB104,228,000 and a gain on deemed disposal amounting to RMB59,228,000 were recorded.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

		As at 31 December	
		2021	2020
	Notes	***RMB'000***	*RMB'000*
Non-current			
Financial assets at fair value through profit or loss:			
Unlisted equity investments	*(i)*	**266,999**	196,153
Current			
Financial assets at fair value through profit or loss:			
Wealth management products	*(ii)*	**109,304**	332,683
Total		**376,303**	528,836

(i) The above equity investments at 31 December 2021 were classified as financial assets at fair value through profit or loss as the Group has not elected to recognise the fair value gain or loss through other comprehensive income.

The amount represents equity investments in the unquoted equity shares of KBP Biosciences Holdings Limited, Lindeman Asia No.12 Investment Fund, DJS Antibodies Limited, PsiOxus Therapeutics Limited, Ascendum Healthcare Fund, Shenzhen MileBot Robotics Co.,Ltd., Beijing Gretson Biomedical Technology Co., Ltd and Beijing Gerui Biomedical Technology Co.,Ltd. The Group intends to hold these equity shares for the foreseeable future and has not irrevocably elected to classify them at fair value through other comprehensive income.

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

14. TRADE AND OTHER RECEIVABLES

		As at 31 December	
		2021	2020
	Notes	***RMB'000***	*RMB'000*
Trade receivables - third parties	*(i)*	**651,490**	272,514
Notes receivable		**171,215**	128,427
Prepayments to suppliers		**140,091**	150,618
Loans to associates		**208,111**	113,445
Amount due from a joint venture		**2,911**	675
Amounts due from other related parties		**9,600**	16,300
Other receivables		**114,481**	316,523
		1,297,899	998,502
Provision for impairment of trade receivables	*(i)*	**(43,640)**	(11,123)
Provision for impairment of other receivables		**(19,831)**	(15,839)
		1,234,428	971,540

(i) Trade receivables — third parties

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**651,490**	272,514
Provision for impairment	**(43,640)**	(11,123)
	607,850	261,391

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

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

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Within 3 months	**426,782**	225,443
3 to 6 months	**35,746**	22,101
6 months to 1 year	**137,682**	8,602
More than 1 year	**7,640**	5,245
	607,850	261,391

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

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
At beginning of year	**11,123**	3,606
Impairment losses, net	**32,517**	7,517
At end of year	**43,640**	11,123

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

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2021

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

As at 31 December 2020

	Ageing of trade receivables				
	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	
Expected credit loss rate	2.26%	17.47%	81.55%	100.00%	
	Less than 1 year *RMB'000*	1 to 2 years *RMB'000*	2 to 3 years *RMB'000*	Over 3 years *RMB'000*	Total *RMB'000*
Gross carrying amount	262,073	5,805	2,463	2,173	272,514
Expected credit losses	5,927	1,014	2,009	2,173	11,123

15. SHARE CAPITAL AND SHARE PREMIUM

	Number of authorised ordinary shares *Share'000*	Number of issued and fully paid ordinary shares *Share'000*	Share capital *RMB'000*	Share premium *RMB'000*	Total *RMB'000*
As at 1 January 2020, 31 December 2020 and 1 January 2021 (HK$0.01 per share)	**100,000,000**	**9,465,682**	**78,186**	**4,084,846**	**4,163,032**
Movements for the year					
Repurchase and cancellation of shares (i)	**–**	**(139,063)**	**(1,156)**	**(205,251)**	**(206,407)**
Share options excercised	**–**	**3,380**	**28**	**2,709**	**2,737**
As at 31 December 2021 (HK$0.01 per share)	**100,000,000**	**9,329,999**	**77,058**	**3,882,304**	**3,959,362**

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

16. OTHER RESERVES AND RETAINED EARNINGS

	PRC statutory reserve fund *RMB'000*	Other reserve *RMB'000*	Total *RMB'000*	Retained earnings *RMB'000*
At 1 January 2020	**323,976**	**(131,302)**	**192,674**	**5,250,978**
Profit for the year	**–**	**–**	**–**	**473,382**
Dividends (note 10)	**–**	**–**	**–**	**(1,419,852)**
Employee share award scheme – Value of employee services	**–**	**23,176**	**23,176**	**–**
Changes in interests in subsidiaries without change of control (i)	**–**	**506,952**	**506,952**	**–**
Transfer to PRC statutory reserve fund (ii)	**2,420**	**–**	**2,420**	**(2,420)**
At 31 December 2020 and at 1 January 2021	**326,396**	**398,826**	**725,222**	**4,302,088**
Profit for the year	**–**	**–**	**–**	**416,509**
Dividends (note 10)	**–**	**–**	**–**	**(123,054)**
Employee share award scheme – Value of employee services	**–**	**59,350**	**59,350**	**–**
Recognition of redemption liabilities on subsidiaries' shares	**–**	**(1,573,500)**	**(1,573,500)**	**–**
Acquisition of non-controlling interests	**–**	**(8,844)**	**(8,844)**	**–**
Capital contribution by non-controlling shareholders of subsidiaries	**–**	**475,948**	**475,948**	**–**
Partial disposal of equity interests in subisdiaries without change of control (i)	**–**	**51,067**	**51,067**	**–**
Transfer to PRC statutory reserve fund (ii)	**49,320**	**–**	**49,320**	**(49,320)**
At 31 December 2021	**375,716**	**(597,153)**	**221,437**	**4,546,233**

(i) Partial disposal of equity interests in subsidiaries without change of control mainly represents the difference between the consideration received by the Group and the decreased share of net assets has been adjusted to increase other reserve when the Group transfer certain of subsidiaries equity to non-controlling shareholders without change in control.

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

17. INTEREST-BEARING BANK BORROWINGS

	As at 31 December 2021			As at 31 December 2020		
	Effective interest rate (%)	**Maturity**	***RMB'000***	Effective interest rate (%)	Maturity	*RMB'000*
Current						
Secured bank borrowings	**3.45-4.65**	**2022**	**170,000**	4.00-6.85	2021	108,640
Unsecured bank borrowings	**3.85**	**2022**	**30,000**	2.05-4.30	2021	279,290
			200,000			387,930
Non-current						
Secured bank borrowings	**4.00**	**2023**	**199,940**	4.00	2023	199,980
Secured bank borrowings	**4.75**	**2026**	**127,384**			
Secured bank borrowings	**4.90**	**2035**	**485,892**	4.90	2035	131,193
			813,216			331,173
			1,013,216			719,103

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Analysed into:		
Bank borrowings:		
Within the first year	**200,000**	387,930
Within the second to fifth years	**327,324**	199,980
Beyond the fifth year	**485,892**	131,193
	1,013,216	719,103

Notes:

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

(i) Mortgages over the Group's leasehold land and, property, plant and equipments with an aggregate carrying value of RMB802,340,000 (31 December 2020: RMB397,382,000);

(ii) The pledge of certain of the Group's time deposits amounting to RMB140,000,000 (31 December 2020: RMB144,548,000); and

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

(b) All borrowings are denominated in RMB.

(c) The effective interest rates of the bank borrowings as at 31 December 2021 range from 3.45% to 4.90% (31 December 2020: 2.05% to 6.85%) per annum.

18. OTHER LIABILITIES

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Deferred government grants (i)	**80,052**	75,224
Other borrowings (ii)	**31,530**	32,000
Redemption liabilities on a subsidiary's shares (iii)	**1,662,783**	–
	1,774,365	107,224
Less: current portion		
Deferred government grants (i)	**7,681**	10,480
Other borrowings (ii)	**–**	4,000
	7,681	14,480
Non-current portion	**1,766,684**	92,744

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

(ii) Other borrowings consist of a borrowing amounting to RMB27,530,000 (31 December 2020: RMB28,000,000) from non-controlling shareholders of a Group's subsidiary, which is interest-bearing, unsecured and repayable in eight years, and a borrowing amounting to RMB4,000,000 (31 December 2020: RMB4,000,000) from non-controlling shareholders of the Group's subsidiary, which is interest-bearing, unsecured and repayable in ten years.

(iii) During the year, capital contribution amounting to RMB773,500,000 (2020: RMB800,000,000) was received from certain non-controlling shareholders of a subsidiary. Pursuant to the agreements with certain subsidiary' non-controlling shareholders entered during the year ended 31 December 2021, capital contribution and related shares being transferred shall be redeemable by the Group upon the occurrence of certain contingent events which cannot be controlled by the Group. The redemption obligations give rise to financial liabilities, which are measured at the net present value of the redemption amount.

19. TRADE AND OTHER PAYABLES

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Trade payables (i)	**118,906**	106,201
Payables for construction and purchase of equipment payables	**104,838**	105,544
Payables for acquisitions of subsidiaries	**342,750**	346,500
Payables for additional interest of a subsidiary	**5,250**	–
Deposit payables	**189,597**	187,169
Accrued reimbursement to distributors	**968,498**	914,490
Salaries payables	**80,750**	64,142
Interest payables	**8,735**	7,454
Dividends payables	**324**	159
Other payables	**151,641**	98,502
	1,971,289	1,830,161

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

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

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Within 6 months	**86,623**	83,808
6 months to 1 year	**7,896**	6,805
More than 1 year	**24,387**	15,588
	118,906	106,201

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

20. COMMITMENTS

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

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Property, plant and equipment	**396,381**	650,478
Intangible assets - product development in progress	**72,091**	62,016
	468,472	712,494

21. BUSINESS COMBINATION

(a) Acquisition of Beijing Combio Pharmaceutical Inc.

On 2 June 2021, the Group acquired a set of assets, liabilities, employee resources and contract rights from Beijing Combio Pharmaceutical Inc. ("**Combio Pharmaceutical**"), an unlisted company based in Mainland China which is an innovation-driven biological company dedicated to the research and development of multi-functional antibody drugs, at a consideration of RMB131,000,000. The acquisition is to bring a good R&D capability and product pipeline to complement the small molecules innovative drug R&D platform. The total consideration of RMB131,000,000 was settled in cash in 2021.

The fair values of the identifiable assets and liabilities of Combio Pharmaceutical as at the date of acquisition were:

	Fair value recognised on acquisition ***RMB'000***
Property, plant and equipment	**2,995**
Intangible assets	**128,923**
Trade and other payables	**(918)**
Total identifiable net assets at fair value	**131,000**
Goodwill on acquisition	**–**
Satisfied by cash	**131,000**

The fair value of the trade and other payables as at the date of acquisition amounted to RMB918,000 being the same as the gross contractual amount.

An analysis of the cash flows in respect of the acquisition of Combio Pharmaceutical is as follows:

	RMB'000
Cash consideration	**(131,000)**
Cash and bank balance acquired	**–**
Net outflow of cash and cash equivalents included in cash flows from investing activities	**(131,000)**

Since the acquisition, Combio Pharmaceutical contributed nil to the Group's revenue and incurred a loss of RMB31,626,000 to the consolidated profit for the period ended 31 December 2021.

Had the acquisition taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been RMB3,291,270,000 and RMB232,083,000, respectively.

(b) Acquisition of Genesis Biosystems, Inc.

On 31 December 2021, the Group acquired a 100% equity interest in Genesis Biosystems, Inc.("**Genesis**"), an unlisted company based in Delaware which is a manufacturer of aesthetic and biomedical products specialising in the development, manufacture and distribution of beauty devices with a focus on microchannel systems and fat harvesting products for cosmetic and skin care treatments as well as plastic surgery, at a consideration of USD3,000,000. The consideration of USD3,000,000 was settled in cash in 2021.

The fair values of the identifiable assets and liabilities of Genesis as at the date of acquisition were:

	Fair value recognised on acquisition ***RMB'000***
Property, plant and equipment	**534**
Cash and cash equivalents	**511**
Trade and other receivables	**917**
Inventories	**1,651**
Trade and other payables	**(515)**
Total identifiable net assets at fair value	**3,098**
Provisional goodwill on acquisition	**16,040**
Satisfied by cash	**19,138**

The assessment of the fair values of the identifiable assets and liabilities of Genesis acquired during the year ended 31 December 2021 is still in process and the information of the fair values of the identifiable assets and liabilities was provisional at the date of the approval of the consolidated financial statements. None of the goodwill recognised is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of Genesis is as follows:

	RMB'000
Cash consideration	**(19,138)**
Cash and bank balances acquired	**511**
Net outflow of cash and cash equivalents included in cash flows from investing activities	**(18,627)**

Since the acquisition, Genesis contributed nil to the Group's revenue and incurred nil to the consolidated profit for the period ended 31 December 2021.

Had the acquisition taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been RMB3,305,005,000 and RMB234,412,000, respectively.

22. DEEMED DISPOSAL OF A SUBSIDIARY

Deemed disposal of Jilin Zesheng

The Group's interest in Jilin Zesheng, a former wholly-owned subsidiary, was diluted during the year ended 31 December 2021 as a result of the capital injection from a third-party investor, which resulted that Jilin Zesheng became an associate of the Group and a gain on deemed disposal amounting to RMB59,228,000 was recorded. An analysis of the net gain and cash inflow in respect of the disposal of Jilin Zesheng is as follows:

	RMB'000
Net assets disposed of:	
Property, plant and equipment	**110,284**
Right-of-used assets	**53,652**
Trade and other receivables	**16,345**
Other non-current liabilities	**(22,250)**
Current income tax receivables	**1,742**
Trade and other payables	**(114,773)**
Net assets derecognised	**45,000**
Gain on deemed disposal of Jilin Zesheng	**59,228**
Investment in an associate (note 12(i))	**104,228**
Satisfied by cash	**–**

An analysis of the net outflow of cash and cash equivalents in respect of the deemed disposal of Jilin Zesheng is as follows:

	RMB'000
Cash consideration received	**–**
Cash and cash equivalents disposed of	**–**
Net cash flow on deemed disposal	**–**

FINANCIAL REVIEW

Revenue

Revenue of the Group for the Year increased by 33.6% to approximately RMB3,291.3 million (2020: RMB2,464.2 million). Among it, the revenue from medical aesthetic products increased significantly by 1,383.3% to approximately RMB399.0 million (2020: RMB26.9 million). In addition, revenue from innovative medicine and other medicine increased by 23.0% to approximately RMB294.2 million (2020: RMB239.1 million), whereas the remaining revenue from sales of generic medicine, which contributed to 78.9% of total revenue, increased by 18.2% (approximately RMB399.9 million) to approximately RMB2,598.1 million (2020: RMB2,198.2 million).

Cost of sales

Cost of sales of the Group for the Year amounted to approximately RMB842.8 million (2020: RMB549.8 million), accounting for approximately 25.6% of the total revenue.

Gross profit

Gross profit for the Year amounted to approximately RMB2,448.5 million (2020: RMB1,914.4 million) with an increase of approximately RMB534.1 million, mainly due to the significant growth in the revenue. Overall gross profit margin declined from 77.7% for the last year to 74.4% for the Year. The lower gross profit margin was resulted from centralised procurement which caused a slight decrease in selling prices.

Other gains – net

Other gains – net for the Year increased by approximately RMB5.3 million to approximately RMB254.9 million (2020: RMB249.6 million). It was mainly due to an increase in government grants.

Gain on deemed disposal of a subsidiary

Gain on deemed disposal of a subsidiary for the Year amounted to approximately RMB59.2 million (2020: Nil). The gain was related to a deemed disposal of Jilin Zesheng. For further details, please refer to section headed "Material acquisitions and disposals" below.

Distribution expenses

Distribution expenses for the Year amounted to approximately RMB547.5 million (2020: RMB368.8 million). The increase of approximately RMB178.7 million compared with last year was mainly due to continuing efforts in expanding and developing the market share.

Administrative expenses

Administrative expenses for the Year increased by 24.0% to approximately RMB607.5 million (2020: RMB489.8 million) as a result of an increase in overheads and activities of the Group.

R&D expenses

R&D expenses for the Year amounted to approximately RMB868.1 million (2020: RMB729.2 million) which represented an increase of 19.0%. It was mainly attributable to more efforts in R&D activities as a result of transformation of innovative R&D.

Other expenses

Other expenses for the Year amounted to approximately RMB36.6 million (2020: RMB34.1 million).

Profit before tax from continuing operations

Profit before tax from continuing operations of the Group for the Year amounted to approximately RMB486.0 million (2020: RMB765.8 million).

Income tax expense

Income tax expense of the Group for the Year increased by 15.7% to approximately RMB253.3 million (2020: RMB219.0 million). The increase was mainly attributable to higher taxable profits generated compared with last year.

Profit attributable to owners of the Company

Profit attributable to owners of the Company for the Year amounted to approximately RMB416.5 million (2020: RMB473.4 million).

Loss attributable to non-controlling interests

Loss attributable to non-controlling interests for the Year amounted to approximately RMB183.7 million (2020: RMB38.5 million of profit). The turnaround was mainly due to changes in shareholding structure of certain subsidiaries.

Liquidity and financial resources

The Group maintained strong financial position. As at 31 December 2021, the Group's cash and cash equivalents amounted to approximately RMB5,682.4 million (31 December 2020: RMB4,604.0 million). As at the same date, bank borrowings of the Group amounted to approximately RMB1,013.2 million (31 December 2020: RMB719.1 million) and borrowings from non-controlling shareholders of a subsidiary of the Group amounted to approximately RMB31.5 million (31 December 2020: RMB32.0 million). Accordingly, the Group maintained net cash of approximately RMB4,637.7 million (31 December 2020: RMB3,852.9 million). The Group's debt-to-equity ratio, expressed as a percentage of borrowings over equity attributable to owners of the Company, was 12.6%.

In general, the Group places its excess cash into interest-bearing bank accounts. The Group may use extra cash for short-term investments for higher returns. Thus, the Group has entered into agreements with certain banks for surplus cash investment. According to the terms of the agreements signed, the total amount of investment conducted by the Group for the Year was approximately RMB20,042.0 million. The investments made by the Group were short-term in nature and mainly consisted of financial planning products purchased from certain state-owned banks. At their discretion, issuing banks for the above-mentioned financial planning products may invest in financial instruments such as government bonds, discounted bank acceptance bills and commercial acceptance bills and bank deposits. As the highest applicable percentage ratio in respect of the investments in each bank (after aggregation according to rules 14.22 and 14.23 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange) separately is less than 5% as at the time of the investments according to Rule 14.07 of the Listing Rules, such investments do not constitute notifiable transactions under Chapter 14 of the Listing Rules.

As at 31 December 2021, the Group recognised total financial assets at fair value through profit or loss of approximately RMB109.3 million, comprising principal of investment of approximately RMB108.0 million and approximately RMB1.3 million of interest income, in the consolidated statement of financial position. As at the date of this announcement, total amount of sold/redeemed investment principal amounted to approximately RMB0.6 million.

The Group had sufficient cash as at 31 December 2021. The Directors are of the opinion that the Group does not have any significant capital risk.

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Cash and cash equivalents	**5,682,425**	4,604,041

Inventories

As at 31 December 2021, inventories amounted to approximately RMB715.3 million (31 December 2020: RMB495.9 million). The inventory turnover period for the year was 259 days (31 December 2020: 296 days). The increase in inventories was attributable to new products for sales and more pharmaceutical ingredients kept for internal production demand.

Trade and other receivables

The Group's trade receivables and notes receivable include credit sales of its products to be paid by its distributors. Other receivables of the Group mainly consist of prepayments to suppliers and amounts due from related parties. As at 31 December 2021, the Group's trade and other receivables were approximately RMB1,234.4 million (31 December 2020: RMB971.5 million). Such increase was mainly attributable to amounts due from third parties.

Property, plant and equipment

The Group's property, plant and equipment include buildings, production and electronic equipment, vehicles and construction in progress. As at 31 December 2021, the net book value of the property, plant and equipment was approximately RMB3,304.9 million (31 December 2020: RMB3,053.3 million). The increase during the Year was mainly attributable to factory construction and purchase of new equipment.

Goodwill

The Group's goodwill arose from the acquisition of subsidiaries and business combinations. As at 31 December 2021, the net carrying amount of goodwill was approximately RMB28.4 million (31 December 2020: RMB12.3 million).

Intangible assets

The Group's intangible assets mainly comprise customer relationships, deferred development costs, product development in progress and trademark and software. The deferred development costs and product development in progress mainly referred to the acquisition of several drug R&D projects and its R&D projects featuring independent development.

As at 31 December 2021, net intangible assets amounted to approximately RMB595.9 million (31 December 2020: RMB505.6 million).

Trade and other payables

The Group's trade and other payables mainly comprise trade payables, deposit payables, accrued expenses and others. As at 31 December 2021, trade and other payables amounted to approximately RMB1,971.3 million (31 December 2020: RMB1,830.2 million). The increase of approximately RMB141.1 million was mainly attributable to the increase in accrued reimbursement to distributors and other payables.

Contingent liabilities

As at 31 December 2021, the Group had no material contingent liabilities (31 December 2020: Nil).

Off-balance sheet commitments and arrangements

As at 31 December 2021, the Group had neither entered into any off-balance sheet arrangements nor commitments to provide guarantees for any payment obligations with any third party. The Group did not have any variable interests in any unconsolidated entities which provide financing or liquidity funding, or incur market risk or provide credit support, or engage in the provision of leasing or hedging or R&D services to the Group.

Capital commitment

As at 31 December 2021, the Group's total capital commitment was approximately RMB468.5 million. It was mainly set aside for purchase of property, plant and equipment and intangible asset.

Credit risk

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

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

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

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

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

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

Foreign exchange risk

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

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

Treasury policy

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

Capital expenditure

The Group's capital expenditure mainly includes purchase of property, plant and equipment, prepaid land lease payments and intangible assets. For the Year, the Group's capital expenditure amounted to approximately RMB725.6 million, of which approximately RMB601.0 million and RMB124.6 million were spent on purchase of property, plant and equipment and purchase of or self-development of intangible assets, respectively. For the Year, the Group's investment in capital expenditure for R&D amounted to approximately RMB184.7 million, of which approximately RMB119.1 million was spent on property, plant and equipment. The remaining approximately RMB65.6 million related to, the purchase of, and self-development of intangible assets.

Material acquisitions and disposals

During the Year, the Group acquired assets, liabilities, employee resource and contract rights from Combio Pharmaceutical at a consideration of RMB131.0 million. For further details, please refer to note 21 to the financial statements.

On 31 December 2021, the Group acquired a 100% equity interest in Genesis at a consideration of USD3.0 million (equivalent to approximately RMB19.1 million). For further details, please refer to note 21 to the financial statements.

The interest in Jilin Zesheng was diluted during the year ended 31 December 2021 as a result of the capital injection from a third-party investor. For further details, please refer to notes 12 and 22 to the financial statements.

Future plans for material investments or capital assets

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

Pledge of assets

As at 31 December 2021, the Group had pledged certain assets to secure banking facilities granted to subsidiaries. For further details, please refer to note 17 to the financial statements.

Human resources and remuneration of employees

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

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

As at 31 December 2021, the Group had 4,282 employees. For the Year, the Group's total salary and related costs were approximately RMB716.5 million (2020: RMB591.5 million). Salary for employees was determined based on their job nature, personal performance and the market trends. The Group provides basic social insurance and housing accumulation fund for company employees as required by the PRC law.

PRE-EMPTIVE RIGHTS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

PUBLIC FLOAT

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

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

During the Year, the Company repurchased 139,063,000 Shares through the Stock Exchange. Details of repurchase are as follows:

Month of repurchase	Number of Shares repurchased	Repurchasing price for each Share		Aggregate consideration paid	
		Highest HK$	Lowest HK$	HK$ million	Equivalent to RMB million
April 2021	3,900,000	2.09	2.06	8.1	6.9
May 2021	10,000,000	2.70	2.63	26.7	22.2
July 2021	3,000,000	2.73	2.68	8.1	6.8
September 2021	15,920,000	2.14	1.46	29.3	24.2
October 2021	82,952,000	1.79	1.56	140.1	116.6
November 2021	23,291,000	1.52	1.45	34.9	28.6
Total:	139,063,000			247.2	205.3

During the Year, all repurchased shares were cancelled and the issued share capital of the Company was reduced by the nominal value thereof. The purchases were made for the benefit of the Shareholders with an enhancement of the net asset value per Share and/or its earnings per Share.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (whether on the Stock Exchange or otherwise) during the year ended 31 December 2021.

EVENTS AFTER THE REPORTING PERIOD

The Company intended to spin off the shares of Xuanzhu Biopharm, a subsidiary of the Company for listing (the "**Proposed Spin-off**") on the STAR Market of the Shanghai Stock Exchange. Currently, the Company directly holds approximately 62.39% of the total issued share capital of Xuanzhu Biopharm. As a result of the Proposed Spin-off, the Company's interests in Xuanzhu Biopharm will be reduced, and the Company will remain as the controlling shareholder of Xuanzhu Biopharm after the completion of the spin-off and listing.

The Company has obtained the approval from the Stock Exchange for the Company's Proposed Spin-off of Xuanzhu Biopharm pursuant to Practice Note 15 of the Listing Rules. As at the date of this announcement, Xuanzhu Biopharm has not submitted any formal listing application to any relevant regulatory authorities in mainland China.

As the Company's equity interest in Xuanzhu Biopharm is expected to decrease upon completion of the Proposed Spin-off, the Proposed Spin-off constitutes a deemed disposal of the Company's equity interest in Xuanzhu Biopharm under Chapter 14 of the Listing Rules. As the maximum applicable percentage ratio in relation to the Proposed Spin-off is currently expected to exceed 25% but less than 75%, the Proposed Spin-off may constitute a major transaction of the Company and is therefore subject to requirements of announcements, reports and shareholders' approval under Chapter 14 of the Listing Rules. This major transaction is expected to be approved in writing by shareholders holding more than 50% of the Company's shares. The Company will comply with the applicable requirements of the Listing Rules as and when necessary.

For further details of the Proposed Spin-off, please refer to the announcement of the Company dated 27 March 2022 and other disclosure documents to be published by the Company in due course according to applicable Listing Rules.

Save as otherwise disclosed in this announcement, the Group has no other significant events after the reporting period up to the date of this announcement.

CORPORATE GOVERNANCE CODE

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

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

AUDIT COMMITTEE

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

The annual results of the Group for the year ended 31 December 2021 have been reviewed by the Audit Committee.

ANNUAL GENERAL MEETING

It is proposed that the forthcoming annual general meeting of the Company (the "**Annual General Meeting**") will be held on Tuesday, 24 May 2022. The notice of the Annual General Meeting will be published on the website of the Company and the Stock Exchange and sent to the Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The register of members of the Company will be closed from Wednesday, 18 May 2022 to Tuesday, 24 May 2022 (both dates inclusive). In order to determine the identity of the Shareholders who are entitled to attend and vote at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 17 May 2022.

INFORMATION ON FINAL CASH DIVIDEND AND SPECIAL CASH DIVIDEND

The Board recommended the declaration and payment of a final cash dividend of RMB1.3 cents per share (equivalent to HK$1.6 cents per share) and a special cash dividend of RMB9.5 cents per share (equivalent to HK$11.7 cents per share) for the year ended 31 December 2021 in thanking Shareholders' support, subject to the approval by the Shareholders at the Annual General Meeting.

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

The register of members of the Company will be closed from Monday, 30 May 2022 to Tuesday, 31 May 2022 (both dates inclusive). In order to qualify for the final cash dividend and special cash dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 27 May 2022. The final cash dividend and special cash dividend, subject to the approval by the Shareholders at the Annual General Meeting, will be payable on or around Tuesday, 14 June 2022 to the Shareholders whose names appear on the register of members of the Company on Tuesday, 31 May 2022.

SCOPE OF WORK OF THE GROUP'S AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2021 as set out in preliminary announcement have been agreed by the Group's auditor, Ernst & Young ("**EY**"), to the amounts set out in the Group's draft consolidated financial statements for the Year. The work performed by EY in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements issued by the International Auditing and Assurance Standards Board and consequently no assurance has been expressed by EY on the preliminary announcement.

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE WEBSITE

This announcement is published on the websites of the Company (www.sihuanpharm.com) and the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2021 will be dispatched to Shareholders and available on the above websites in due course.

APPRECIATION

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

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

Hong Kong, 29 March 2022

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