Sinco Pharmaceuticals Holdings Limited
兴科蓉医药控股有限公司
(Incorporated under the laws of the Cayman Islands with limited liability)
(Stock Code: 6833)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021 AND PROPOSED AMENDMENTS TO THE EXISTING M&A AND ADOPTION OF THE NEW M&A

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the year ended 31 December 2021 was approximately RMB2,024.1 million, decreased by approximately 1.25% as compared to approximately RMB2,049.8 million for the year ended 31 December 2020.
- Gross profit of the Group for the year ended 31 December 2021 increased by RMB91.2 million to RMB365.0 million (2020: RMB273.8 million), while gross profit margin increased from 13.4% in 2020 to 18.0% for the Reporting Period. The increase in gross profit margin was benefited from the higher selling price of Human Albumin compared with the last year.
- Net profit of the Group increased by 14.4% to RMB135.1 million for the Reporting Period (2020: RMB118.1 million), primarily benefited from the increase in gross profit of the Group.
- During the Reporting Period, net profit attributable to owners of the Company amounted to RMB135.1 million (2020: net profit RMB118.1 million), representing an increase in net profit of RMB17.0 million.
- Basic and diluted earnings per share amounted to RMB0.08 for the Reporting Period (2020: basic and diluted earnings per share RMB0.07).
- The Board resolved not to declare any final dividend for the Reporting Period (2020: Nil).

The board (the "**Board**") of directors (the "**Directors**") of Sinco Pharmaceuticals Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") announces the audited consolidated results of the Group for the year ended 31 December 2021 (the "**Reporting Period**"), together with the comparative figures for the year ended 31 December 2020, which have been prepared in accordance with the International Financial Reporting Standards ("**IFRSs**") as below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2021

	Notes	**2021** *RMB'000*	2020 *RMB'000*
REVENUE	*2*	**2,024,055**	2,049,803
Cost of sales		**(1,659,105)**	(1,775,977)
Gross profit		**364,950**	273,826
Other income and gains	*3*	**10,951**	13,669
Selling and distribution expenses		**(105,375)**	(89,836)
Administrative expenses		**(66,001)**	(40,552)
Reversal of/(provision for) impairment loss on trade receivables	*14*	**(1,020)**	350
Reversal of/(provision for) impairment loss on financial assets included in prepayments, other receivables and other assets	*15*	**164**	(48)
Other expenses		**(7,118)**	(12,657)
Finance costs	*4*	**(29,164)**	(8,797)
PROFIT BEFORE TAX	*5*	**167,387**	135,955
Income tax expense	*6*	**(32,304)**	(17,818)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**135,083**	118,137
Attributable to:			
Owners of the parent		**135,083**	118,137
Non-controlling interests		**–**	–
		135,083	118,137
Earnings per share attributable to ordinary equity holders of the parent:			
Basic			
– For profit for the year (RMB)	*8*	**0.078**	0.070
Diluted			
– For profit for the year (RMB)	*8*	**0.078**	0.070

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	**2021** *RMB'000*	2020 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**207,867**	188,249
Investment property	*10*	**6,499**	6,679
Right-of-use assets	*11(a)*	**48,394**	49,934
Intangible assets		**–**	22
Payments in advance		**169**	796
Deferred tax assets	*12*	**860**	646
Total non-current assets		**263,789**	246,326
CURRENT ASSETS			
Inventories	*13*	**61,270**	242,561
Trade and bills receivables	*14*	**213,601**	578,687
Prepayments, other receivables and other assets	*15*	**313,039**	40,714
Pledged deposits	*16*	**55,015**	–
Cash and cash equivalents	*16*	**326,052**	143,765
Total current assets		**968,977**	1,005,727
CURRENT LIABILITIES			
Trade payables	*17*	**422,933**	700,320
Contract liabilities	*18*	**27,749**	27,806
Other payables and accruals	*19*	**53,424**	161,946
Interest-bearing bank and other borrowings	*20*	**208,320**	77,986
Tax payable		**12,826**	21,999
Lease liabilities	*11(b)*	**384**	736
Total current liabilities		**725,636**	990,793
NET CURRENT ASSETS		**243,341**	14,934
TOTAL ASSETS LESS CURRENT LIABILITIES		**507,130**	261,260

	Notes	**2021** *RMB'000*	2020 *RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	*20*	**132,244**	3,042
Other payables and accruals	*19*	**–**	93,422
Lease liabilities	*11(b)*	**–**	367
Total non-current liabilities		**132,244**	96,831
Net assets		**374,886**	164,429
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*21*	**151**	136
Reserves		**374,735**	165,201
		374,886	165,337
Non-controlling interests		**–**	(908)
Total equity		**374,886**	164,429

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	**2021**	2020
		RMB'000	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**167,387**	135,955
Adjustments for:			
Depreciation of property, plant and equipment	*9*	**4,957**	7,804
Depreciation of investment property	*10*	**180**	454
Depreciation of right-of-use assets	*11*	**1,540**	1,138
Amortisation of intangible assets		**22**	23
Unrealised foreign exchange gains		**3,549**	1,100
Imputed discount on deposits received	*3*	**–**	(8,510)
Interest income from financial assets at fair value through profit or loss	*3*	**(795)**	(615)
Interest income from financial assets measured at amortised cost		**–**	(39)
Finance costs	*4*	**29,164**	8,797
Bank interest income	*3*	**(518)**	(1,295)
Other income attributable to the receipt of donation of a vehicle		**(30)**	–
Write-down of inventories to net realisable value	*5*	**–**	3,248
Provision for/(reversal of) impairment losses on trade receivables	*14*	**1,020**	(350)
Provision for/(reversal of) impairment losses on financial assets included in prepayments, other receivables and other assets	*15*	**(164)**	48
		206,312	147,758
Decrease/(increase) in trade and bills receivables		**364,066**	(547,627)
Decrease/(increase) in prepayments, other receivables and other assets		**(34,259)**	25,852
Decrease in inventories		**181,291**	13,457
Decrease/(increase) in payments in advance		**627**	(288)
Increase/(decrease) in trade payables		**(277,387)**	399,854
Increase in amounts due from related parties		**(11)**	–
Increase/(decrease) in other payables and accruals		**(93,697)**	114,880
Decrease in contract liabilities		**(57)**	(10,776)
Cash generated from operations		**346,885**	143,110
Interest received		**518**	1,295
Tax paid		**(41,691)**	(7,105)
Net cash flows from operating activities		**305,712**	137,300

	Notes	**2021** *RMB'000*	2020 *RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(23,522)**	(372)
Addition of leasehold land		**–**	(49,114)
Purchase of wealth management products classified as financial assets at fair value through profit or loss		**(366,136)**	(164,000)
Redemption of wealth management products classified as financial assets at fair value through profit or loss		**366,136**	164,000
Interest income from financial assets at fair value through profit or loss	*3*	**795**	615
Interest income from financial assets measured at amortised cost	*3*	**–**	39
Redemption of financial assets measured at amortised cost		**–**	1,990
Net cash flows used in investing activities		**(22,727)**	(46,842)
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal portion of lease payments		**(719)**	(990)
Interest portion of lease payments	*11*	**(55)**	(95)
Interest paid		**(22,417)**	(6,770)
Proceeds from bank and other borrowings		**210,000**	120,330
Repayment of bank and other borrowings		**(77,937)**	(226,312)
Decrease in other payables and accruals		**(115,962)**	(98,605)
Issue of new shares		**69,806**	–
Exercise of share options		**5,568**	–
Increase in pledged time deposits		**(55,015)**	–
Decrease in prepayments, other receivables and other assets		**(110,377)**	42,567
Net cash flows used in financing activities		**(97,108)**	(169,875)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**185,877**	(79,417)
Effect of foreign exchange rate changes, net		**(3,590)**	(1,574)
Cash and cash equivalents at beginning of year		**143,765**	224,756
CASH AND CASH EQUIVALENTS AT END OF YEAR		**326,052**	143,765
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position	*16*	**326,052**	143,765
Cash and cash equivalents as stated in the statement of cash flows		**326,052**	143,765

NOTES TO FINANCIAL STATEMENTS

1.1 CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 16 March 2015. The registered office address of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company's principal place of business in Hong Kong is located at Room 2403, Wing On Centre, 111 Connaught Road Central, Hong Kong with effect from 20 November 2020.

During the year, the Group was principally engaged in marketing, promotion and channel management services ("**MPCM**") for improved human plasma-based pharmaceuticals, antibiotics and other pharmaceuticals focused on therapeutic areas and complementary to human plasma-based products and other fast-growing categories in Mainland China. There were no significant changes in the nature of the Group's principal activities during the year.

In the opinion of the Directors, Risun Investments Limited ("**Risun**"), a company incorporated in the British Virgin Islands ("**BVI**"), is the parent and the ultimate holding company of the Company.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place and date of incorporation/ registration and place of business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Starwell Group Holding Limited 興豪集團控股有限公司	26 November 2013 BVI	US$50,000	100	–	Investment holding
Bright Ritzy Limited 晨曄有限公司	5 August 2016 BVI	US$1	100	–	Investment holding
Chengdu Sinco Pharmaceuticals Co., Ltd. 成都興科蓉醫藥有限公司[(i)]	17 February 2011 PRC/Mainland China	US$10,000,000	100	–	Sale of pharmaceutical products
Hong Kong Prosperous Group Holding Limited 香港恒盛集團控股有限公司	20 December 2013 Hong Kong	HK$100	–	100	Sale of pharmaceutical products
Glorious Empire Limited 曄煜有限公司	26 August 2016 Hong Kong	HK$1	–	100	Investment holding
Sichuan Sinco Pharmaceuticals Co., Ltd. 四川興科蓉藥業有限責任公司[(i)]	1 April 2011 PRC/Mainland China	RMB100,000,000	–	100	Sale of pharmaceutical products
Sichuan Sinco Biological Technology Co., Ltd. 四川興科蓉生物科技有限公司[(ii)]	25 November 2013 PRC/Mainland China	RMB1,000,000	–	100	Research and development on pharmaceutical products
Chengdu Sinco Pharmaceutical Technology Co., Ltd. 成都興科蓉醫藥技術有限責任公司[(ii)]	26 February 2014 PRC/Mainland China	RMB22,000,000	–	100	Providing warehouse facilities for pharmaceutical products

Name	Place and date of incorporation/ registration and place of business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Chengdu Hengsheng Ziguang Pharmaceutical Technology Co., Ltd. ("Chengdu Hengsheng") 成都恒盛紫光醫藥技術有限責任公司 (「成都恒盛」)(ii)	4 March 2015 PRC/Mainland China	RMB100,000	–	100	Consultation on medical and biological technology
Xizang Linzhi Ziguang pharmaceutical Co., Ltd. ("Linzhi Ziguang") 西藏林芝紫光藥業有限責任公司 (「林芝紫光」)(ii)	17 November 2014 PRC/Mainland China	RMB10,000,000	–	100	Sale of Pharmaceutical products
Sinco Shanghai Trading Co., Ltd. 興科蓉(上海)貿易有限公司(i)	25 August 2016 PRC/Mainland China	RMB5,000,000	–	100	Sale of pharmaceutical products
Qingdao Yusheng Hengying Trading Co., Ltd. 青島煜盛恒盈貿易有限公司(i)	15 November 2016 PRC/Mainland China	RMB30,000,000	–	100	Investment holding
Qingdao Ruichi Pharmaceuticals Co., Ltd. 青島瑞馳藥業有限公司(ii)	15 May 2007 PRC/Mainland China	RMB10,000,000	–	100	Sale of pharmaceutical products
XKR Prosperous Holding PTE. Ltd.(iii) 新加坡恒盛集團控股有限公司(iii)	6 August 2020 Singapore	SGD10,000	–	100	Sale of pharmaceutical products
Macao Sinco Limited.(iv) 澳門興科榮一人有限公司(iv)	1 February 2021 Macau	MOP25,000	–	100	International trade
Beijing Sinco Biological Medical Technology Co., Ltd. 北京興科榮生物醫療科技有限公司(ii)	9 August 2021 PRC/Mainland China	RMB2,000,000	–	100	Market promotion
Haikou Sinco Biological Medical Technology Co., Ltd. 海口興科榮生物醫療科技有限公司(ii)	29 August 2021 PRC/Mainland China	RMB10,000,000	–	100	Market promotion
Sheenos Limited	30 November 2021 BVI	US$50,000	100	–	Investment holding

(i) Sichuan Sinco Pharmaceuticals Co., Ltd. ("**Sichuan Sinco Pharmaceuticals**"), Sinco Shanghai Trading Co., Ltd. ("**Sinco Shanghai**"), Qingdao Yusheng Hengying Trading Co., Ltd. ("**Qingdao Yusheng**") and Chengdu Sinco Pharmaceuticals Co., Ltd. ("**Chengdu Sinco Pharmaceuticals**") are registered as wholly-foreign-owned enterprises under the law of the People's Republic of China (the "**PRC**").

(ii) These subsidiaries are registered as domestic enterprises under PRC law.

(iii) The subsidiary is registered as a wholly-foreign-owned enterprise under the law of the Republic of Singapore.

(iv) The subsidiary is registered as a one-person limited liability company under the law of Macau.

1.2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), which comprise standards and interpretations approved by the International Accounting Standards Board (the "**IASB**"), and International Accounting Standards ("**IASs**") and Standing Interpretations Committee Interpretations approved by the International Accounting Standards Committee that remain in effect, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain wealth management products 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2021. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

1.3 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*
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 Group had certain interest-bearing bank loans denominated in RMB based on the China Loan Prime Rate as at 31 December 2021. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these borrowings provided that the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

(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.

1.4 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IFRS 17	*Insurance Contracts*[2,4]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to IAS 8	*Definition of Accounting Estimates*[2]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to IFRS Standards 2018-2020	*Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41*[1]

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combination for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group will recognise a deferred tax asset and a deferred tax liability for deductible and taxable temporary differences associated with right-of-use assets and lease liabilities, and recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained profits at the beginning of the earliest comparative period presented.

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

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

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

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

2. REVENUE AND OPERATING SEGMENT INFORMATION

The Group's revenue and contribution to consolidated results are mainly derived from its sales of human albumin solution, antibiotics and other pharmaceuticals focused on therapeutic areas and complementary to human plasma-based products and other fast-growing categories in Mainland China, which are regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management for purposes of resource allocation and performance assessment. In addition, the principal non-current assets employed by the Group are located in Mainland China. Accordingly, no segment analysis is presented other than entity-wide disclosures.

An analysis of revenue is as follows:

	2021	2020
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sales of goods	**2,024,055**	2,049,803

Revenue from contracts with customers

(i) Disaggregated revenue information

	2021	2020
	RMB'000	*RMB'000*
Types of pharmaceuticals		
Human albumin solution	**1,973,223**	1,889,012
Antibiotics (Axetine and Medocef)	**50,832**	160,791
Total revenue from contracts with customers	**2,024,055**	2,049,803

Geographical markets

All revenue from contracts with customers of the Group during each of the years ended 31 December 2021 and 2020 was attributable to customers located in Mainland China, the place of domicile of the Group's principal operating entities. The Group's non-current assets are all located in Mainland China.

Timing of revenue recognition

All revenue from contracts with customers of the Group during each of the years ended 31 December 2021 and 2020 was recognised when goods were transferred at a point in time.

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2021	2020
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of pharmaceuticals	**27,732**	8,742

Information about major customers

Revenue from each of the major customers, which amounted to 10% or more of the total revenue, is set out below:

	2021	2020
	RMB'000	*RMB'000*
Customer A	**566,149**	679,377
Customer B	*	*
Customer C	*	*

* Less than 10%

(ii) *Performance obligations*

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

Sale of pharmaceuticals

The performance obligation is satisfied upon delivery of the pharmaceuticals and payment is generally due within 90 to 180 days (2020: 90 to 240 days) from delivery, except for certain customers who make payments in advance prior to delivery of the pharmaceuticals.

3. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	2021	2020
	RMB'000	*RMB'000*
Bank interest income	**518**	1,295
Imputed discount on deposits received *(note 19(c))*	**–**	8,510
Interest income from financial assets at fair value through profit or loss *(note 5)*	**795**	615
Interest income from financial assets measured at amortised cost *(note 5)*	**–**	39
Government grants*	**1,152**	447
Net rental income from investment property *(notes 5, 11)*	**172**	290
Service income	**8,284**	2,434
Others	**30**	39
	10,951	13,669

* There were no unfulfilled conditions or contingencies relating to the government grants.

4. FINANCE COSTS

An analysis of finance costs is as follows:

	2021	2020
	RMB'000	*RMB'000*
Interest on bank loans and other borrowings	**21,390**	2,833
Interest on deferred settlement of trade payables	**–**	3,937
Interest on lease liabilities *(note 11)*	**55**	95
Finance charges attributable to issue of letters of credit	**1,141**	–
Unwinding of discount on long-term deposits received *(note 19(c))*	**6,578**	1,932
	29,164	8,797

5. PROFIT BEFORE TAX

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

	Notes	2021 RMB'000	2020 RMB'000
Cost of inventories sold		**1,659,105**	1,775,977
Depreciation of items of property, plant and equipment	*9*	**4,957**	7,804
Depreciation of right-of-use assets	*11*	**1,540**	1,138
Depreciation of investment property	*10*	**180**	454
Amortisation of intangible assets		**22**	23
Research and development expenses		**26,160**	812
Provision for/(reversal of) impairment losses recognised on:			
Trade receivables	*14*	**1,020**	(350)
Financial assets included in prepayments, other receivables and other assets	*15*	**(164)**	48
Short-term lease payments	*11(c)*	**1,000**	433
Auditors' remuneration		**2,850**	3,100
Employee benefit expense:			
Wages and salaries		**13,731**	10,389
Welfare and other benefits		**1,366**	388
Pension scheme contributions			
– Defined contribution fund		**1,925**	491
Housing fund			
– Defined contribution fund		**551**	457
Total employee benefit expense		**17,573**	11,725
Foreign exchanges losses, net		**3,549**	6,058
Write-down of inventories to net realisable value		**–**	3,248
Interest income from financial assets at fair value through profit or loss	*3*	**(795)**	(615)
Interest income from financial assets measured at amortised cost	*3*	**–**	(39)
Net rental income from investment property	*3*	**(172)**	(290)

6. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and BVI. The assessable profits of the Group derived from Hong Kong are subject to a two-tiered profit tax rate regime. The first HK$2,000,000 (2020: HK$2,000,000) of assessable profits are taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 16.5%).

The provision for PRC CIT is based on the respective PRC CIT rates applicable to the subsidiaries located in Mainland China as determined in accordance with the relevant income tax rules and regulations of Mainland China for the year. All subsidiaries domiciled in the PRC were subject to PRC CIT at a rate of 25% during the two years ended 31 December 2021 and 2020.

The major components of income tax expense are as follows:

	2021 *RMB'000*	2020 *RMB'000*
Current – Hong Kong		
Charge for the year	**12,121**	8,049
Current – Mainland China		
Charge for the year	**20,397**	14,693
Adjustments in respect of current tax of previous years	**–**	(4,999)
Deferred tax *(note 12)*	**(214)**	75
Total tax charge for the year	**32,304**	17,818

7. DIVIDENDS

At a meeting of the Board held on 30 March 2022, the Directors resolved not to pay final dividends to Shareholders for the Reporting Period (2020 final dividend: Nil).

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit attributable to ordinary equity holders of the Company for the year ended 31 December 2021 of RMB135,083,000 (2020: RMB118,137,000), and the weighted average number of ordinary shares of 1,736,830,311 (2020: 1,691,890,585) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, adjusted to reflect the impact of a dilution as the exercise prices of the Company's outstanding share options were lower than the average market prices for the Company's shares during the year ended 31 December 2021. No adjustment has been made to the basic earnings per share amount presented for the year ended 31 December 2020 in respect of a dilution as the exercise prices of the Company's outstanding share options were higher than the average market prices for the Company's shares during the year.

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

	2021 *RMB'000*	2020 *RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the Company	**135,083**	118,137

	Number of shares	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,736,830,311**	1,691,890,585
Effect of dilution – weighted average number of ordinary shares	**613,267**	–
	1,737,443,578	1,691,890,585

9. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings *RMB'000*	Machinery *RMB'000*	Leasehold improvements and office equipment *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 December 2021						
Cost:						
At 31 December 2020 and 1 January 2021	175,163	1,509	10,946	18,518	31,237	237,373
Additions	22,150	–	136	31	2,258	24,575
At 31 December 2021	**197,313**	**1,509**	**11,082**	**18,549**	**33,495**	**261,948**
Accumulated depreciation:						
At 31 December 2020 and 1 January 2021	21,983	401	9,252	17,488	–	49,124
Provided for the year *(note 5)*	4,434	133	283	107	–	4,957
At 31 December 2021	**26,417**	**534**	**9,535**	**17,595**	**–**	**54,081**
Net carrying amount:						
At 31 December 2020	153,180	1,108	1,694	1,030	31,237	188,249
At 31 December 2021	**170,896**	**975**	**1,547**	**954**	**33,495**	**207,867**
31 December 2020						
Cost:						
At 31 December 2019 and 1 January 2020	176,347	1,563	10,903	18,445	31,248	238,506
Additions	–	139	43	73	117	372
Other transfer-out	(1,184)	–	–	–	(128)	(1,312)
Disposals	–	(193)	–	–	–	(193)
At 31 December 2020	175,163	1,509	10,946	18,518	31,237	237,373
Accumulated depreciation:						
At 31 December 2019 and 1 January 2020	17,335	328	8,576	15,274	–	41,513
Provided for the year *(note 5)*	4,648	266	676	2,214	–	7,804
Disposals	–	(193)	–	–	–	(193)
At 31 December 2020	21,983	401	9,252	17,488	–	49,124
Net carrying amount:						
At 31 December 2019	159,012	1,235	2,327	3,171	31,248	196,993
At 31 December 2020	153,180	1,108	1,694	1,030	31,237	188,249

As at 31 December 2021, the Group's certain buildings with a net carrying amount of RMB57,159,000 (31 December 2020: RMB70,296,000) were pledged to two banks to secure the Group's bank loans (note 20 (a)). As at 31 December 2021, the Group's certain buildings with a net carrying amount of RMB9,967,000 (31 December 2020: nil) were pledged to obtain bank facilities of RMB60,000,000.

10. INVESTMENT PROPERTY

	2021	2020
	RMB'000	*RMB'000*
Carrying amount at 1 January	**6,679**	7,133
Depreciation provided for the year *(note 5)*	**(180)**	(454)
Carrying amount at 31 December	**6,499**	6,679

Notes:

(a) As at 31 December 2021, the fair value of the investment property was estimated to be approximately RMB8,292,000 (2020: RMB8,292,000). The valuation was performed in 2020 by Asia-Pacific Consulting and Appraisal Limited, an independent professionally qualified valuer. There is no significant change during the year and no revaluation has been carried out. Selection criteria of the external valuer include market knowledge, reputation, independence and whether professional standards are maintained. The valuation was estimated using discounted cash flow projections based on reliable estimates of future rental income or market rents for similar properties in the same location and condition, where appropriate. The fair value measurement hierarchy of the investment property requires certain significant unobservable inputs (Level 3).

(b) The Group's investment property is situated in Mainland China and held under medium lease terms.

(c) As at 31 December 2021, the investment property was leased to a third party under operating leases.

(d) As at 31 December 2021, the Group's investment property with a net carrying amount of RMB6,499,000 (31 December 2020: RMB6,679,000) was pledged to obtain bank facilities of RMB150,000,000 (31 December 2020: RMB50,000,000) granted to the Group.

11. LEASES

The Group as a lessee

The Group has lease contracts for office premises and a warehouse used in its operations. The Group entered into certain long-term lease contracts for items of office premises. Lump sum payments were made upfront to acquire the leased land with lease periods of 50 years. Lump sum payments were made yearly upfront to acquire certain leased office premises with lease periods of five years, and no ongoing payments will be made under the terms of the leases after the payments. For other leases, payments were made monthly, quarterly and semi-annually. Leases of office premises have lease terms between 1 and 5 years. Leases of a warehouse have lease terms within five years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) *Right-of-use assets*

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land *RMB'000*	**Office premises and a warehouse** *RMB'000*	**Total** *RMB'000*
As at 1 January 2020	–	1,041	1,041
Additions	49,114	917	50,031
Depreciation charge *(note 5)*	(82)	(1,056)	(1,138)
As at 31 December 2020 and 1 January 2021	49,032	902	49,934
Depreciation charge *(note 5)*	(982)	(558)	(1,540)
As at 31 December 2021	48,050	344	48,394

The Group's leasehold land included in right-of-use assets is situated in Mainland China and held under long lease terms.

(b) *Lease liabilities*

The carrying amount of lease liabilities and the movements during the year are as follows:

	2021 ***RMB'000***	2020 *RMB'000*
Carrying amount at 1 January	**1,103**	1,176
New leases	**–**	917
Accretion of interest recognised during the year *(note 4)*	**55**	95
Payments	**(774)**	(1,085)
Carrying amount at 31 December	**384**	1,103
Analysed into:		
Current portion	**384**	736
Non-current portion	**–**	367

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2021 ***RMB'000***	2020 *RMB'000*
Interest on lease liabilities *(note 4)*	**55**	95
Depreciation charge of right-of-use assets *(note 5)*	**1,540**	1,138
Expense relating to short-term leases (included in administrative expenses) *(note 5)*	**1,000**	433
Total amount recognised in profit or loss	**2,595**	1,666

The Group as a lessor

The group leases its investment property consisting of one commercial property in Mainland China under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. The net rental income recognised by the group during the year was RMB172,000 (2020: RMB290,000) (note 3).

At 31 December 2021, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2021	2020
	RMB'000	*RMB'000*
Within one year	**170**	511
After one year but within two years	**–**	170
	170	681

12. DEFERRED TAX

The movements in deferred tax assets during the year are as follows:

	2021	2020
	RMB'000	*RMB'000*
At beginning of year	**646**	721
Deferred tax charged to profit or loss during the year *(note 6)*	**214**	(75)
At end of year	**860**	646

Notes:

(a) As at 31 December 2021, the Group had accumulated tax losses arising in Mainland China of RMB13,278,000 (31 December 2020: RMB17,616,000) that would expire in one to five years. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which they can be utilised.

(b) Deferred tax assets related to the PRC subsidiaries have been provided at the enacted corporate income tax rate of 25%.

(c) Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

As of 31 December 2021, no deferred tax liability has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the Directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future after their assessment based on factors which included the dividend policy, the level of working capital required for the Group's operations and the expansion of the Group's operations in Mainland China. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB114,914,000 (31 December 2020: RMB62,851,000).

13. INVENTORIES

At the end of the reporting period, all inventories represent purchased pharmaceutical products.

As at 31 December 2021, the Group's inventories with a carrying amount of RMB56,339,000 (31 December 2020: RMB241,577,000) were pledged to secure the Group's other payables in respect of import agent services as further detailed in note 19(b).

14. TRADE AND BILLS RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**216,346**	580,778
Impairment	**(3,111)**	(2,091)
Trade receivables, net of impairment	**213,235**	578,687
Bills receivable	**366**	–
	213,601	578,687

The Group granted credit terms ranging from 90 days to 180 days (2020: 90 days to 240 days) to customers after the delivery of goods, except for certain customers who were required to make payments in advance prior to the delivery of goods. The Group seeks to maintain strict control over the settlements of its outstanding receivables and has a credit control department to minimise credit risk. Trade receivables are non-interest-bearing. As at 31 December 2021, trade receivables of RMB281,044,000 (31 December 2020: RMB567,169,000) were covered by letters of credit.

An ageing analysis of the trade receivables as at the end of the reporting periods, based on the date of revenue recognised and net of loss allowance, is as follows:

	2021	2020
	RMB'000	*RMB'000*
Within 3 months	**207,097**	576,378
3 to 12 months	**6,138**	2,309
	213,235	578,687

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

	2021	2020
	RMB'000	*RMB'000*
At beginning of year	**2,091**	2,441
Provision for/(reversal of) impairment losses *(note 5)*	**1,020**	(350)
At end of year	**3,111**	2,091

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit loss rate. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and coverage by other forms of insurance). 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

		Past due			
	Current	**1 to 90 days**	**91 to 180 days**	**More than 180 days**	**Total**
Expected credit loss rate	**1.84%**	**8.56%**	**61.62%**	**100%**	
Gross carrying amount (RMB'000)	**207,793**	**6,701**	**28**	**1,824**	**216,346**
Covered by letters of credit (RMB'000)	**(169,862)**	**–**	**–**	**–**	**(169,862)**
	37,931	**6,701**	**28**	**1,824**	**46,484**
Expected credit losses (RMB'000)	**696**	**574**	**17**	**1,824**	**3,111**

As at 31 December 2020

		Past due			
	Current	1 to 90 days	91 to 180 days	More than 180 days	Total
Expected credit loss rate	1.25%	3.04%	66.30%	100%	
Gross carrying amount (RMB'000)	576,495	1,595	2,261	427	580,778
Covered by letters of credit (RMB'000)	(567,169)	–	–	–	(567,169)
	9,326	1,595	2,261	427	13,609
Expected credit losses (RMB'000)	117	48	1,499	427	2,091

As at 31 December 2021, the Group endorsed certain bills receivable accepted by banks in Mainland China to certain import agents in order to settle other payables, with a carrying amount in aggregate of RMB20,103,000 (31 December 2020: RMB110,097,000) (collectively referred to as the "**Derecognised Bills**"). The Derecognised Bills had a maturity term from one to six months at the end of the reporting period. All the Derecognised Bills had been accepted by Banks which are reputable banks in the PRC and had a maturity of within six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "**Continuing Involvement**"). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated advances on discounting. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their face amounts. In the opinion of the Directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

15. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2021	2020
	RMB'000	*RMB'000*
Prepayments in respect of:		
– purchase of inventories	**1,492**	–
– consultation service fee	**1,295**	814
– others	**800**	756
Deposits in respect of:		
– issuance of letters of credit	**135,375**	24,998
– distribution rights	**127,514**	–
– others	**35,118**	5,272
Value-added tax recoverable	**6,050**	5,818
Amounts due from related parties	**11**	–
Other receivables in respect of:		
– staff advances	**1,091**	359
– others	**4,649**	3,217
	313,395	41,234
Impairment allowance	**(356)**	(520)
	313,039	40,714

The movements in the loss allowance for impairment of financial assets in prepayments, other receivables and other assets are as follows:

	2021	2020
	RMB'000	*RMB'000*
At beginning of year	**520**	472
Provision for/(reversal of) impairment losses *(note 5)*	**(164)**	48
At end of year	**356**	520

An impairment analysis is performed at each reporting date by considering ECLs, which are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

In determining ECLs for financial assets in prepayments, other receivables and other assets, the Directors have taken into account the historical default experience and the future prospects of the industries and/or considered various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of the financial assets in prepayments, other receivables and other assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

16. CASH AND CASH EQUIVALENTS AND PLEDGED BANK BALANCES

	2021	2021
	RMB'000	*RMB'000*
Cash and bank balances	**381,067**	143,765
Less: pledged bank deposits*	**(55,015)**	–
Cash and cash equivalents	**326,052**	143,765

* The balances as at 31 December 2021 represented bank deposits with original maturity of less than three months when acquired which are pledged to banks to issue letters of credit for the purchase of pharmaceuticals.

The Group's cash and bank balances at the end of the reporting period can be further analysed as follows:

	2021	2020
	RMB'000	*RMB'000*
Denominated in RMB	**257,299**	102,572
Denominated in US$*	**74,138**	37,263
Denominated in HK$*	**47,887**	3,835
Denominated in C$*	**1,704**	40
Denominated in S$*	**39**	55
	381,067	143,765

* US$ stands for the United States dollar. HK$ stands for the Hong Kong dollar. C$ stands for the Canadian dollar. S$ stands for the Singapore dollar.

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for a period of three months and earn interest at the respective deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

17. TRADE PAYABLES

An ageing analysis of trade payables as at the end of the reporting period, based on the issuance date of the pharmaceuticals' inspection report, is as follows:

	2021	2020
	RMB'000	*RMB'000*
Within three months	**422,933**	700,320

Trade payables of the Group are normally settled within 120 to 180 days (2020:120 to 240 days).

18. CONTRACT LIABILITIES

Contract liabilities consisted of short-term advances received from customers in relation to the sale of pharmaceuticals. Changes in contract liabilities during the year are as follows:

	2021	2020
	RMB'000	*RMB'000*
At the beginning of year	**27,806**	38,582
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**(27,732)**	(8,742)
Transfer to other payables and accruals	**–**	(29,685)
Net increase due to cash received, excluding amounts recognised as revenue during the year	**27,675**	27,651
At the end of year	**27,749**	27,806

19. OTHER PAYABLES AND ACCRUALS

		2021	2020
	Notes	***RMB'000***	*RMB'000*
Current portion:			
Payables related to:			
Payroll and welfare payable		**2,030**	1,218
Deposits received	*(a)*	**14,117**	4,023
Consulting and professional fees		**12,616**	6,433
Other tax payables		**845**	1,800
Import agent services	*(b)*	**1,886**	117,848
Interest payable		**114**	–
Other payables		**21,816**	30,624
		53,424	161,946
Non-current portion:			
Payables related to:			
Deposits received	*(c)*	**–**	93,422
		53,424	255,368

Notes:

(a) The balance represented refundable deposits received from the Group's distributors according to distribution contracts in order to guarantee their performance under distribution contracts, which were unsecured and interest-free.

(b) The balance as at 31 December 2021 mainly represented the payables to one (31 December 2020: three) independent third party, which is principally engaged in import agent services, for their settlement of part of the purchase of pharmaceutical products on behalf of the Group together with the service charge for the import and logistics services. Such payables were non-interest-bearing and secured by inventories with a carrying amount of RMB56,339,000 (31 December 2020: RMB241,577,000) (note 13).

(c) The balance as at 31 December 2020 mainly represented the payables related to interest-free deposits totalling RMB100 million received from a distributor for a distribution period granted by the Group with the latest repayment date in July 2022, which had been repaid during the year ended 31 December 2021. For the year ended 31 December 2021, the Group recorded imputed discount on deposits of nil (2020: RMB8,510,000) (note 3) and unwinding of discount on deposits of RMB6,578,000 (2020: RMB1,932,000) (note 4).

Other than the other payables mentioned above, all other payables of the Group are non-interest-bearing and unsecured.

20. INTEREST-BEARING BANK AND OTHER BORROWINGS

		2021			2020		
	Notes	**Effective interest rate (%)**	**Maturity**	***RMB'000***	Effective interest rate (%)	Maturity	*RMB'000*
Current:							
Bank loans							
– Secured and guaranteed	*(a)*	**3.37–5.50**	**2022**	**80,000**	3.73–6.0	2021	69,000
– Guaranteed	*(a)*	**–**	**–**	**–**	2.9	2021	8,156
Other borrowings							
– Unsecured	*(b)*	**3.79**	**2022**	**127,514**	–	–	–
Current portion of long term bank loans – guaranteed	*(a)*	**2.75**	**2022**	**806**	2.75	2021	830
				208,320			77,986
Non-current:							
Bank loans							
– Guaranteed	*(a)*	**2.75**	**2023-2025**	**2,244**	2.75	2022-2025	3,042
Other borrowings							
– Unsecured	*(c)*	**10.68**	**2023**	**130,000**	–	–	–
				132,244			3,042
				340,564			81,028

	2021	2020
	RMB'000	*RMB'000*
Analysed into:		
Bank loans Repayable:		
Within one year or on demand	**80,806**	77,986
In the second year	**806**	830
In the third to fifth years, inclusive	**1,438**	2,212
	83,050	81,028
Other borrowings Repayable:		
Within one year or on demand	**127,514**	–
In the second year	**130,000**	–
	257,514	–
	340,564	81,028

Notes:

(a) The Group's bank and other borrowings are secured and guaranteed as follows:

(i) As at 31 December 2021, the bank loan of RMB80,000,000 (31 December 2020: RMB60,000,000) was secured by the Group's certain buildings of RMB57,159,000 (31 December 2020: RMB60,152,000) and was jointly guaranteed by Mr. Huang Xiangbin, the Company and Chengdu Sinco Pharmaceutical Technology Co., Ltd. ("**Chengdu Sinco Technology**").

(ii) As at 31 December 2020, the bank loan of RMB9,000,000 was secured by the Group's certain buildings of RMB10,144,000 and guaranteed by Mr. Huang Xiangbin.

(iii) As at 31 December 2020, the bank loan of RMB8,156,000 was guaranteed by Mr. Huang Xiangbin and Chengdu Sinco Technology.

(iv) As at 31 December 2021, the bank loan of RMB3,050,000 (31 December 2020: RMB3,872,000) was guaranteed by Mr. Huang Xiangbin.

(b) The balance represented the interest-bearing borrowing amounting to USD20.0 million granted by a third party. During the year ended 31 December 2021, the third party made a payment of USD20.0 million to the Group's supplier on behalf of the Group as the deposit for the relevant distribution rights granted. On 26 January 2022, the supplier repaid the deposit to the third party. Since the date of the repayment, the Group derecognised the interest-bearing borrowing of USD20.0 million due to the third party and the other receivables of USD20.0 million due from the supplier.

(c) The balance represented the interest-bearing borrowing amounting to RMB130.0 million granted by a third party.

(d) As at 31 December 2021, except for the bank loan which was denominated in HK$ amounting to RMB3,050,000, all bank loans were denominated in RMB.

21. SHARE CAPITAL

Shares

	2021	2020
	RMB'000	*RMB'000*
Authorised:		
10,000,000,000 (31 December 2020: 10,000,000,000) ordinary shares of HK$0.0001 each	**822**	822
Issued and fully paid:		
1,872,890,585 (31 December 2020: 1,691,890,585) ordinary shares of HK$0.0001 each	**151**	136

A summary of movements in the Company's share capital is as follows:

	Notes	**Number of share in issue**	**Share capital** *RMB'000*
At 31 December 2020 and 1 January 2021		**1,691,890,585**	136
Issue of new shares	*(a)*	**169,000,000**	14
Share options exercised	*(b)*	**12,000,000**	1
At 31 December 2021		**1,872,890,585**	151

Notes:

(a) On 23 July 2021, the Group entered into a subscription agreement with the subscribers, agreeing to allot and issue a total of 169,000,000 subscription shares at a subscription price of HK$0.5 per subscription share. On 28 September 2021, a total of 169,000,000 subscription shares were allotted and issued to the subscribers at the subscription price of HK$0.5 per subscription share, resulting in new share capital of HK$16,900 (before issue expenses).

(b) The 12,000,000 share options exercised during the year ended 31 December 2021 resulted in the issue of 12,000,000 ordinary shares of the Company and new share capital of HK$1,200 (before issue expenses).

22. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2021	2020
	RMB'000	*RMB'000*
Contracted, but not provided for:		
– Construction of a warehouse	**83,008**	83,008
– Furbishing of a property	**2,256**	–
	85,264	83,008

23. CONTINGENT LIABILITIES

At the end of the reporting period, the Group had no significant contingent liabilities.

24. RELATED PARTY TRANSACTIONS

(a) During the year, the Group had the following material transactions with related parties:

	2021	2020
	RMB'000	*RMB'000*
Guaranteed by Mr. Huang Xiangbin		
Interest-bearing bank loan	**80,000**	81,028
Amount due from Risun	**11**	–

(b) Compensation of key management personnel of the Group

	2021	2020
	RMB'000	*RMB'000*
Short-term employee benefits	**2,338**	2,134
Pension scheme contributions	**51**	44
Total compensation paid to key management personnel	**2,389**	2,178

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

With extensive experience in the distribution of pharmaceutical imports, the Group provides comprehensive MPCM services for small and medium-sized overseas pharmaceutical manufacturers. Meanwhile, the Group is the only MPCM services provider for imported blood products in the PRC, leveraging our quality product portfolio that focuses on blood products and nationwide marketing and promotion network. The Group's existing product portfolio encompasses many quality products produced by small and medium-sized overseas pharmaceutical manufacturers, covering multiple therapeutic areas such as anti-infective drugs and blood products, digestive system, and cardiovascular system. Included in such products are blood products (which are in short supply in the Chinese market) and prescription drugs which can meet the high demand for high-quality drugs with excellent clinical results among medical institutions and patients.

1. Core Products

Human Albumin

Dating back to the early 1940s, blood products have undergone decades of fast development. Such products have grown from Human Albumin at the very beginning to the current 20-plus categories in three series, encompassing such sub-categories as Human Albumin, immune globulin and blood coagulation factors. Given the approval granted to new indications and an improved rate of diagnosis, the Plasma Protein Therapeutics Association (PPTA) predicts that the market demand for blood products will retain a high-speed growth around the globe. During the last two years, as many new plasma collection stations have been put into service, the amount of plasma collection increases every year and production capacity of domestic manufacturers also increased rapidly. As the largest sales category in the market of blood products in the PRC, Human Albumin is the only kind of blood product allowed to be imported at the present, and its lot release of imported and domestic categories maintains a rapid growth every year. In 2021, the annual batch release amounted to 63.67 million vials (2020: 60.54 million vials), among which the percentages of imported and domestic categories were 65% and 35% respectively. Manufactured by Octapharma, a global leading manufacturer of blood products, and included as a Category B product in the National Reimbursement Drug List (NRDL), the Human Albumin operated by the Group is used to remedy the shock caused by hypovolemia, remove edema and poisonous substances, and treat neonatal hyper-bilirubinemia. Based on the batch release of the Human Albumin in the PRC in 2021, the market share of the Human Albumin manufactured by Octapharma was approximately 10%.

2. Marketing Network Development

The Group provides its marketing service through its internal teams and their cooperation with third-party promoters. Hence, one of the Group's key development strategies is to continuously expand the marketing network and enhance distributor and promotor management. During the Reporting Period, the Group took "Flexible, Professional and Efficient" as its objective, and strove to develop its marketing team in respect of the ability of quickly responding to market environment changes and executing operational plans with high efficiency. Furthermore, the Group sorted out its human resources in each division. The marketing team had its structure streamlined and its performance management further refined, with optimized allocation of sales resources that are invested in each product and higher efficiency of business operation.

At the same time, the implementation of "Two-Invoice System" took place at a faster pace in each province. To positively respond to such implementation, the existing structure of distributor network was comprehensively sorted out. Based on sufficient communication with its distributors, the Group has further extended its sales channels to end markets through the collaboration between its internal sales team and local distributors. Originally, promoters were allocated by region. Now, the promoters are matched with each hospital of the region concerned, which enables the Company's sales network to reach the end market. Besides, the coverage of the network has also been extended from large top Class-III hospitals to provincial, municipal and county hospitals, to keep improving market penetration, thereby establishing a precision management system that each hospital will have its respective promoters.

In addition, the Group has further improved the direct participation of its internal marketing team in product marketing activities. In this regard, approaches include regularly training third-party promoters on product knowledge, hosting or taking part in medical or pharmaceutical conferences, symposiums and product seminars to directly partake in the academic promotion activities of products, and extend the opinion leadership network for the main therapeutic areas of products. All the approaches serve to ensure accurate and timely delivery of product information to doctors. In addition to product promotion, the Group has taken the initiative to invite third party promoters from across the country to join a conference call to discuss and interpret the major impact of national policies, to increase the added value and attraction of the Group's training.

3. Cold Chain Storage Facility

Considering the future demand for business expansion and the significant demand for pharmaceutical cold chains in the storage and delivery of blood products and bio-products, the Group has constructed a cold chain storage facility in Shuangliu District, Chengdu, Sichuan Province. The Group has completed the first phase of its cold chain storage facility (15,000 square meters), which can satisfy the Group's storage demand and provide better control for the quality and safety of the blood products in product portfolio of the Group. Additionally, the Group will be able to provide third parties with high quality pharmaceutical cold-chain storage services upon completing the second-phase construction (which includes 25,000 square meters of cold chain storage and 47,000 square meters of research and development ("**R&D**") base), which will be a new business unit of the Group.

Save as mentioned above, the Group did not hold any material investments, and there was no material acquisition or disposal of its subsidiaries, associates or joint ventures during the Reporting Period.

4. R&D

The Group entered into a collaboration agreement with the China Academy of Chinese Medical Sciences to develop "Sinco I", a new realgar-based chemical medicine for treating acute promyelocytic leukemia. The collaboration aims for the upstream extension of the Group's business and the future provision of a new medicine for patients in the therapeutic area. Currently it is in the pilot experiments. During the Reporting Period, the Group incurred RMB0.7 million as the R&D expenses for developing Sinco I.

The Group entered into the Master Cooperation Agreement and the Technological Development Agreements in relation to the development of polycaprolactone microsphere facial filler ("Girl Needle") and its materials for injection with Beijing Nuokangda Pharmaceuticals Techonology Co., Ltd. ("Beijing Nuokangda"). The Girl Needle developed in cooperation with Beijing Nokangda, with Ellansé® as the control, uses PCL and CMC of biomedical material matrix from product formulation to preparation technology analysis, and develops semi-permanent injectable filling products. In the follow-up, the Group will develop a series of products "PCL+X" relying on polycaprolactone raw materials, and derive a variety of medical beauty products, which are suitable for various parts. The total R&D expenses will amount to RMB88.50 million. It is anticipated that the Technological Development Project will be completed within 49 months. During the Reporting Period, the Group incurred RMB25.50 million as the R&D expenses.

FUTURE AND OUTLOOK

In 2022, the coronavirus disease 2019 ("**COVID-19**") epidemic may still continue to affect the global economy. Under a well control of the epidemic, the global economy is gradually recovering. It is expected that the volume of plasma collection in 2022 will recover to pre-epidemic level, and there will be an increase compared to the last year. As a result, the number of batches released of the Group will increase accordingly. Taking into consideration of that current demand for Human Albumin in China is far less than of developed countries, it reflects that the Chinese market has huge potential. Although the supply will increase, the price of Human Albumin in forthcoming year may still be stable compared to the 2021. In addition, considering the population base, the demand for Human Albumin will continue to increase in the future.

People's medical awareness has been influenced since the emergence of the COVID-19 epidemic. With the continuing epidemic in 2022, the medical needs of people will continuously increase. Because of the clinical necessity for Human Albumin and the fact that there is no corresponding substitute product in the short term, it is expected that the demand for Human Albumin will remain strong for the long-run. In addition, after the implementation of the "Two-Invoice System" policy in China, sales channels have become flatter, and manufacturers can directly reach end customers. The business minds of manufacturers are having fundamental changes from the original price-oriented thinking to a focus on academic promotion and brand improvement. In recent years, products represented by Human Albumin have shown a rapid recovery. Under these circumstances, the Group will continue with its sales and development strategies in optimizing the marketing network and the product portfolio, with plasma products being the core therapeutic area of the Group.

To leverage the Group's expertise and experience in the provision of imported pharmaceuticals products, in 2022, the Group will develop its medical aesthetic industry chain and gradually establish the dual business segments of pharmaceuticals products and medical aesthetic products as its business development direction. It is believed that such strategy could serve a foundation for the Group to develop its expertise and resources in the establishment of its own R&D center to develop, produce and sell medical aesthetic products gradually. Capitalize on the Group's established pharmaceutical marketing and promotion pipeline could bring synergy effect to the marketing and sales of such new medical aesthetic products which could enable the Group to achieve sustainable development in the long run.

Furthermore, the Group will continue to enhance the development of its internal control and risk management system, pay more attention to and fulfill its corporate social responsibilities throughout the governance of the Group. A great platform for staff's career development will be offered by the Group; and the Group will continuously create a greater value for the shareholders and the stakeholders of the Group.

FINANCIAL REVIEW

Revenue

The Group recorded revenue of RMB2,024.1 million for the Reporting Period, representing a decrease of RMB25.7 million, or 1.3% as compared to RMB2,049.8 million in 2020, which could be further analysed as follows:

		2021		2020	
		RMB million	***% of revenue***	*RMB million*	*% Of revenue*
Human Albumin Solution	*1)*	**1,973.3**	**97.5%**	1,889.0	92.2
Antibiotics	*2)*	**50.8**	**2.5%**	160.8	7.8
Total		**2,024.1**	**100.0**	2,049.8	100.0

1) During the Reporting Period, revenue of human albumin solution stood at RMB1,973.3 million, representing an increase of approximately 4.5% or RMB84.3 million as compared with 2020. Such increase in revenue mainly benefits from the increase in the supply volume and the sales volume of human albumin.

2) During the Reporting Period, revenue from sales of antibiotics decreased by RMB110.0 million as compared with 2020. The decrease was mainly caused by the outbreak of the COVID-19 which caused the drop in the number of hospital inpatients and as a result, the usage of antibiotics decreased correspondingly, and with the implementation of the drug volume-based purchasing policy the sale volume in some provinces declined.

Cost of sales

The Group recorded cost of sales of RMB1,659.1 million for the Reporting Period, representing a decrease of RMB116.9 million, or 6.6% as compared with RMB1,776.0 million in 2020, in which the cost of sales of Human Albumin and antibiotics decreased by RMB49.1 million and RMB 67.8 million respectively.

Gross profit and gross profit margin

During the Reporting Period, the Group recorded gross profit of RMB365.0 million, representing an increase of RMB91.2 million as compared with RMB273.8 million in 2020, in which the gross profit of the human albumin increased by RMB133.3 million and was partially offset by the decrease of the gross profit of the antibiotics of RMB42.1. The gross profit margin increased from 13.4% in 2020 to 18.0% for the Reporting Period. The increase in profit margin was mainly due to the higher selling price of Human Albumin compared with the last year.

Other income and gains

During the Reporting Period, other income and gains of the Group amounted to RMB11.0 million, representing a decrease of RMB2.7 million as compared with 2020, mainly due to the Group recorded imputed discount of RMB8.5 million on interest-free long term deposits granted to a distributor in 2020, which has been fully repaid during the year ended 31 December 2021. The decrease is partially offset by the increase of RMB5.8 million in the delivery service income.

Selling and distribution expenses

During the Reporting Period, the Group's selling and distribution expenses amounted to approximately RMB105.4 million, representing an increase of RMB15.6 million as compared with the same period of 2020. The increase was mainly due to the increase of marketing promotion expenses.

Administrative expenses

During the Reporting Period, the Group recorded administrative expenses of RMB66.0 million, representing an increase of RMB25.4 million as compared with the same period of 2020, which was primarily due to the increased R&D expenses amounted to RMB25.5 million on the development of polycaprolactone microsphere facial filler and its materials for injection.

Other expenses

During the Reporting Period, the Group recorded other expenses of RMB7.1 million, representing a decrease of RMB5.6 million as compared with 2020, which was mainly due to the decrease in foreign exchange loss.

Finance costs

During the Reporting Period, the Group recorded finance costs of RMB29.2 million, representing an increase of RMB20.4 million as compared with 2020, which was mainly due to the corresponding increase in interest expenses as a result of the increase in other interest-bearing loans of the Group in 2021.

Income tax expense

During the Reporting Period, the income tax expenses increased by RMB14.5 million or 81.5% to RMB32.3 million as compared with 2020. The increase was mainly due to the increase of the Group's revenue and the gross profit.

Profit for the Reporting Period

As a result of the foregoing, the Group recorded a net profit of RMB135.1 million, which increased by RMB17.0 million as compared with a net profit of RMB118.1 million in 2020.

Inventories

Inventory balances amounted to RMB61.3 million as of 31 December 2021 (31 December 2020: RMB242.6 million), representing a decrease of RMB181.3 million as compared with the year-end balance of 2020. Such decrease was due to the decrease in the inventory balance of human albumin solution mainly as a result of the sales increase.

Due to the decrease in inventory balances, the Group's average inventory turnover days decreased by 19 days from 52 days in 2020 to 33 days for the Reporting Period.

Trade and bills receivables

The balance of trade receivables amounted to RMB213.6 million as of 31 December 2021 (31 December 2020: RMB578.7 million). The main reason for the decrease of RMB365.1 million as compared with the year-end balance of 2020 was the Group enhanced the management of the credit term and maintained strict control over the settlements of the outstanding receivables.

The balance of bills receivables as of 31 December 2021 was RMB0.4 million (31 December 2020: nil) representing an increase of RMB0.4 million as compared to the year-end balance of 2020.

Prepayments, deposits, other receivables and other assets

As of 31 December 2021, the prepayments, deposits, other receivables and other asset amounted to RMB313.0 million (31 December 2020: RMB40.7 million), representing an increase of RMB272.3 million as compared with the year-end balance of 2020. The increase was mainly due to the increase of the prepayment of deposits for issuance of the letter of credit of RMB110.4 million, the increase of the prepayment of the refundable deposit for distribution right of RMB127.5 million and the increase of the prepayment of the other deposits of RMB34.4 million.

Trade payables

As of 31 December 2021, trade payables amounted to RMB422.9 million (31 December 2020: RMB700.3 million), representing a decrease of RMB277.4 million as compared with the year-end balance of 2020, among which payables for the purchase of Human Albumin Solution decreased by RMB283.4 million, and offset by the increase of the payables for the purchase of antibiotics of RMB6.0 million.

Other payables

As of 31 December 2021, other payables and accruals amounted to RMB53.4 million (31 December 2020: RMB161.9 million), representing a decrease of RMB108.5 million as compared with the year-end balance of 2020. The decrease was mainly due to a decrease of payables in relation to the import agent services of RMB116.0 million.

Other payables (non-current portion)

As of 31 December 2021, non-current portion of other payables amounted to nil (31 December 2020: RMB93.4 million), because it has been repaid in the Reporting Period.

Borrowings

As of 31 December 2021, the Group has borrowings of RMB340.6 million in total, with details set out below:

	2021	2020
	RMB'000	*RMB'000*
Current:		
Interest-bearing bank loans	**80,806**	77,986
Interest-bearing other borrowings	**127,514**	–
Non-current:		
Interest-bearing bank loans	**2,244**	3,042
Interest-bearing other borrowings	**130,000**	–
Total	**340,564**	81,028

Gearing ratio

At the end of the Reporting Period, the Group's gearing ratio was calculated as follows:

	2021	2020
	RMB'000	*RMB'000*
Interest-bearing bank and other borrowings	**340,564**	81,028
Trade payables	**422,933**	700,320
Other payables and accruals	**53,424**	255,368
Lease liabilities	**384**	1,103
Tax payables	**12,826**	21,999
Less: Cash and cash equivalents	**(326,052)**	(143,765)
Less: Pledged bank balances	**(55,015)**	–
Net debt[a]	**449,064**	916,053
Equity	**374,886**	164,429
Equity and net debt[b]	**823,950**	1,080,482
Gearing ratio[a/b]	**54.5%**	84.8%

Liquidity and capital resources

The following table sets out a condensed summary of the Group's consolidated statement of cash flows during the Reporting Period:

		2021	2020
	Notes	***RMB'000***	*RMB'000*
Net cash from operating activities	*1)*	**305,712**	137,300
Net cash used in investing activities	*2)*	**(22,727)**	(46,842)
Net cash used in financing activities	*3)*	**(97,108)**	(169,875)
Net increase/(decrease) in cash and cash equivalents		**185,877**	(79,417)
Effect of foreign exchange rate changes, net		**(3,590)**	(1,574)
Cash and cash equivalents at beginning of the year	*4)*	**143,765**	224,756
Cash and cash equivalents at end of the year	*4)*	**326,052**	143,765

Notes:

1) Net cash from operating activities

During the Reporting Period, the Group's net cash inflow generated from operating activities amounted to approximately RMB305.7 million (for the year 2020: net cash inflow of RMB137.3 million), which was mainly due to the increase in cash from sales and decrease in trade and bills receivables during the Reporting Period as compared with prior year.

2) Net cash used in investing activities

During the Reporting Period, the Group's net cash used in investing activities amounted to approximately RMB22.7 million (for the year 2020: net cash outflow of RMB46.8 million), which was mainly due to the purchase of items of property, plant and equipment.

3) Net cash used in financing activities

During the Reporting Period, the Group's net cash outflow from financing activities amounted to approximately RMB97.1 million (for the year 2020: net cash outflow of RMB169.9 million), which mainly included (i) the net payment of the other payables and accruals of RMB116.0 million in relation to import agency contracts; (ii) the net payment of prepayments, other receivables and other assets of RMB110.4 million; (iii) payment of pledged deposits of RMB55.0 million and (iv) interest payment of RMB22.4 million.The cash outflow was partially offset by (i) the net proceeds from the bank and other borrowings of RMB132.1 million and (ii) the proceeds of issue of new shares of RMB75.4 million.

4) The following table sets out the Group's cash and cash equivalents at the end of the Reporting Period:

	2021	2020
	RMB'000	*RMB'000*
Denominated in RMB	**257,299**	102,572
Denominated in US$	**74,138**	37,263
Denominated in HK$	**47,887**	3,835
Denominated in S$	**1,704**	55
Denominated in C$	**39**	40
	381,067	143,765

Treasury policies

The Group has adopted a prudent financial management approach towards its treasury policies. Substantial amounts of the Group's cash and cash equivalent are held in major financial institutions located in Mainland China. The Group seeks to maintain strict control over its outstanding receivables and the senior management of the Company reviews and assesses the creditworthiness of the Group's existing customers on an ongoing basis. To manage liquidity risk, the Group monitors its exposure to a shortage of funds by considering the maturity of both its financial liabilities and financial assets and projected cash flows from operations. Cash and cash equivalents of the Group is mainly denominated in RMB.

Foreign currency risk

Most of the Group's assets and liabilities are denominated in RMB, except for certain items below:

- Certain bank balances are denominated in US$, HK$, Singapore dollars and Canadian dollars; and

- Purchase of products from overseas suppliers and relevant trade payables are denominated in US$.

The Group manages the potential fluctuation in foreign currencies by foreign currency forward and option contracts, and does not enter into any hedging transactions.

Future Plans for Material Investments and Capital Assets

As the date of this announcement, the Group does not have any future plans for capital assets.

Capital expenditure

The following table sets out the Group's capital expenditure for the periods indicated:

	2021	2020
	RMB'000	*RMB'000*
Purchase of property, plant and equipment	**23,522**	372
Addition of leasehold land	**–**	49,114
	23,522	49,486

Contingent liabilities

The Group had no material contingent liabilities as of 31 December 2021.

Pledge of assets

As of 31 December 2021, the carrying amounts of the Group's pledged assets were set out as follows:

	31 December 2021 *RMB'000*	31 December 2020 *RMB'000*
For obtaining bank and other borrowings		
– Buildings	**73,625**	70,296
– Inventories	**56,339**	241,577
For issuance of letters of credit and billings		
– Bank balances	**55,015**	–

Dividend

The Directors resolved not to declare any final dividend for the Reporting Period (2020: Nil).

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2021, the Group had a total of 120 employees. For the Reporting Period, the total staff costs of the Group were RMB17.6 million (2020: RMB11.7 million).

The Group's employee remuneration policy is determined by factors such as remuneration in respect of the local market, the overall remuneration standard in the industry, the inflation level, corporate operating efficiency and employee performance. The Group conducts performance appraisals once a month for its employees, the results of which are applied in annual salary reviews and promotional assessments. The Group's employees are considered for annual bonuses according to certain performance criteria and appraisals results. Social insurance contributions are made by the Group for its PRC employees in accordance with the relevant PRC regulations.

The Group also provides continuous learning and training programs to its employees to enhance their skills and knowledge, so as to maintain their competitiveness and improve customer service quality. The Group did not experience any major difficulties in recruitment, nor did it experience any material loss in manpower or suffer from any material labor dispute during the Reporting Period.

In addition, the Company adopted a share option scheme to recognize the contribution by certain employees of the Group, and to provide them with incentives in order to retain them for their continuing support in the operation and development of the Group.

RISK MANAGEMENT

The principal risks and uncertainties identified by the Company which may have material and adverse impact on the Company's performance or operation are summarized below. There may be other principal risks and uncertainties in addition to those set out below which are not known to the Company or which may not be material now but could turn out to be material in the future.

- Failure to maintain relationships with existing suppliers – The Group currently sources all the products in portfolio from limited suppliers, either directly or indirectly through their sales agents.

- Exchange rate fluctuation – The Group's purchase of products from the overseas suppliers is denominated in US$, and certain items of bank balances, other receivables, bank borrowings and bonds are mainly denominated in US$ and HK$.

- Decrease in profit margin due to increase in cost, decrease in selling prices and competition.

- Experience prolonged delays or significant disruptions to the supply of the products.

The Company believes that risk management is essential to the Group's efficient and effective operation. The Group's management assists the Board in evaluating material risk exposure existing in the Group's business, and participates in formulating appropriate risk management and internal control measures, and to ensure such measures are properly implemented in daily operational management.

RELATIONSHIP WITH KEY STAKEHOLDERS

Human resources is one of the most important assets of the Group. The Group strives to motivate its employees by providing them with a clear career path as well as comprehensive and professional training courses. In addition, the Group also offers competitive remuneration packages to its employees, including basic salary, certain benefits and other performance-based incentives.

The Group purchases imported pharmaceutical products from overseas suppliers, either directly or indirectly through their sales agents, and generate revenue by on-selling them to hospitals and pharmacies through distributors and deliverers. The suppliers of the Group and its sales agents have granted the Group the rights to market, promote and manage sales channels for their products in China. The Group maintains a stable and long-term relationship with its suppliers by providing them access to the growing Chinese market with steady sales growth.

The Group sells pharmaceutical products to distributors, who on-sell the products to hospitals and pharmacies either directly or indirectly through their sub-distributors. The Group maintains stable and long-term relationship with its distributors by providing them guidance, training and support to carry out more targeted field marketing and promotion activities.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is primarily engaged in MPCM for imported pharmaceutical products, a line of business that does not have material impact on the environment. The key environmental impact from the Group's operation is related to electricity, water and paper consumption. The Group is fully aware of the importance of sustainable environmental development, and has implemented the following measures to encourage environmental protection and energy conservation:

- Promoting paperless office
- Encouraging low-carbon commuting
- Ensuring reasonable energy consumption

During the Reporting Period, we did not incur any material cost of compliance with relevant environmental laws and regulations.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's business and operations are subject to related laws and regulations of the Cayman Islands, the British Virgin Islands, Hong Kong and the PRC. During the Reporting Period, the Group have complied with all related laws and regulations of the Cayman Islands, the British Virgin Islands, Hong Kong and the PRC, which would have significant impact on the Group.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**AGM**") will be held on Friday, 13 May 2022. A notice convening the AGM will be published and despatched to the Shareholders in the manner required by the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in due course.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 10 May 2022 to Friday, 13 May 2022, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the forthcoming AGM to be held on Friday, 13 May 2022. To be eligible for attending and voting at the AGM, all transfer documents, as well as relevant share certificates and transfer forms must be lodged with the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Friday, 6 May 2022.

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the "Corporate Governance Code and the Corporate Governance Report" (the "**CG Code**") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. During the Reporting Period, the Company has complied with all applicable code provisions in force under the CG Code and adopted most of the best practices set out therein except for the following provision:

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals. Under the organization structure of the Company, Mr. Huang Xiangbin is the chairman of the Board and the co-chief executive officer. With Mr. Huang Xiangbin's extensive experience in the pharmaceutical industry, the Board considers that vesting the roles of chairman and co-chief executive officer in the same person is beneficial to the business prospects and management of the Group. The check and balance of power and authority are ensured by the operation of the senior management and the Board, which comprises experienced and high calibre individuals. Accordingly, the Board believes that this arrangement will not impact on the balance of power and authorizations between the Board and the management of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the "Model Code for Securities Transaction by Directors of Listed Issuer" (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry with the Directors, all the Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the Reporting Period.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

OTHER EVENTS DURING THE REPORTING PERIOD

Technological development of polycaprolactone microsphere facial filler and its materials

On 9 September 2021, the Company and its wholly-owned subsidiary entered into a master cooperation agreement and technological development agreements with Beijing Nuokangda Pharmaceutical Technology Co., Ltd. in relation to the development of polycaprolactone microsphere facial filler and its materials for injection at an aggregate consideration of RMB88,500,000. Through the said transactions, the Group intends to develop its medical aesthetic industry chain and gradually establish the dual business segments of pharmaceutical products and medical aesthetic products as its business development direction, leveraging the Group's expertise and experience in the provision of imported pharmaceutical products. For details, please refer to the announcements of the Company dated 9 September 2021 and 21 October 2021.

Placing of new shares under general mandate

On 7 December 2021 and 30 December 2021, the Company entered into a placing agreement and a supplemental agreement (hereinafter collectively referred to as the "**Placing Agreement**") with a placing agent (the "**Placing Agent**"), respectively. Pursuant to the Placing Agreement, the Company conditionally agreed to issue the placing shares and the Placing Agent agreed to procure not less than six placees (the "**Placees**") to subscribe for, on a best effort basis, an aggregate of 160,000,000 placing shares at the price of HK$1.29 per placing share. on 3 January 2022, all the conditions precedent set out in the Placing Agreement have been fulfilled and the completion took place. An aggregate of 160,000,000 placing shares have been allotted and issued to the Placees at the price of HK$1.29 per placing share pursuant to the terms and conditions of the Placing Agreement.

The aggregate nominal value of such placing shares will be HK$16,000. On the date of the Placing Agreement (i.e. 7 December 2021), the closing price of HK$1.60 per Share was quoted on the Stock Exchange.

The net proceeds from the placing, after deduction of the commission for the placing and other related expenses, amount to approximately HK$194.9 million. The Company intends to use the entire net proceeds arising from the placing for the purposes and in the amounts set out below:

i) approximately 40% of the net proceeds, or approximately HK$78.0 million, to be used for relevant costs and expenses incurred for the development of polycaprolactone microsphere facial filler and its materials for injection, including but not limited to development of experimental workshop, R&D equipments and factories construction investment; and

ii) approximately 60% of the net proceeds, or approximately HK$116.9 million, to be used for strategic acquisition/development of new projects/products in the field of medical aesthetic including but not limited to development of new medical aesthetic products, acquisition of medical aesthetic organisations and investing in medical aesthetic projects. In order to formulate and implement its business development plan, the Group has been actively looking for investment/business development opportunities.

For details, please refer to the announcements of the Company dated 7 December 2021, 30 December 2021 and 3 January 2022.

The acquisition of Demei Company (as defined below)

On 20 January 2022, the Company (or its designated affiliate) entered into a letter of intent with all beneficial owners of Deyang Demei Medical Aesthetic Clinic (General Partnership)* ("**Demei Clinic**") in relation to potential acquisition of the equity interest in the target after Demei Clinic completes restructuring and conversion.

On 22 March 2022, Sichuan Sinco Biotech Limited Company* (a wholly-owned subsidiary of the Company) and Mr. Huang Zhijian (a connected person of the Company, being the son of Mr. Huang, an executive Director, chairman of the Board and substantial shareholder of the Company) entered into (i) each of the respective equity transfer agreements between Deyang Demei Medical Beauty Hospital Limited Company* ("**Demei Company**"), being the target after Demei Clinic completes restructuring and conversion, and other parties, and (ii) a loan agreement (with a set of VIE contractual arrangements to be entered into upon the completion under the said equity transfer agreements) for purpose of acquiring the entire equity interest in Demei Company at an aggregate consideration of up to RMB95,000,000.

For details, please refer to the announcements of the Company dated 20 January 2022 and 22 March 2022.

SUBSEQUENT SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

The Board is not aware of any material event requiring disclosure, that has taken place subsequent to 31 December 2021 and up to the date of this announcement.

AUDIT COMMITTEE

The principal duties of the audit committee of the Company ("**Audit Committee**") include the review and supervision of the Group's financial reporting system, the preparation of financial statements and internal control procedures. It also acts as an important link between the Board and the external auditor in matters within the scope of the group audit.

The Audit Committee comprises four independent non-executive Directors, namely, Mr. Lau Ying Kit (Chairman), Mr. Liu Wenfang, Mr. Wang Qing and Mr. Bai Zhizhong. The Audit Committee has reviewed the applicable accounting principles, standards and practices adopted by the Group as well as the consolidated financial statements of the Group for the year ended 31 December 2021 and the disclosure in this announcement.

AUDITOR

Ernst & Young was appointed as auditor of the Company ("**Auditor**") since 20 July 2020 and is the Auditor for the Reporting Period. Crowe (HK) CPA Limited ("**Crowe**") was the Auditor before Ernst & Young and its resignation took into account various factors, including the professional risk associated with the audit, the level of audit fees and the availability of its internal resources in light of its current work flows. After considering the facts and circumstances, the Audit Committee, having been delegated to power to oversee the effectiveness of the external auditor, was of the view that it would be in the best interest of the Company and the Shareholders as a whole to replace Crowe with Ernst & Young. The Company had received a letter from Crowe confirming that there are no matters in connection with its resignation that needs to be brought to the attention of the Shareholders or the creditors of the Company.

PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY (THE "M&A")

On 30 March 2022, the Board proposes to amend the existing amended and restated M&A (the "**Existing M&A**") for, among other things, (i) bringing the Existing M&A up to date and in line with the applicable laws of the Cayman Islands and the applicable amendments made to the Listing Rules and (ii) supplementing procedures required for confirming the voting methods used in general meetings. The Board proposes to seek the approval of the Shareholders by way of special resolution at the AGM to adopt the second amended and restated M&A (the "**New M&A**"), in substitution for, and to the exclusion of, the Existing M&A.

The proposed adoption of the New M&A is subject to the approval of the Shareholders by way of special resolution at the AGM. Prior to the passing of the special resolution at the AGM, the Existing shall remain valid.

A circular containing, inter alia, details of the proposed amendments to the Existing M&A and the adoption of the New M&A, together with the notice of the AGM and the related proxy form, will be despatched to the Shareholders in due course.

FINAL DIVIDEND

The Board does not recommend the payment of dividend by the Company for the Reporting Period.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND THE ANNUAL REPORT

This annual results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (http://www.sinco-pharm.com). The annual report of the Company for the year ended 31 December 2021 containing all the information as required by the Listing Rules will be despatched to the Shareholders and made available for review on the same websites in due course.

By Order of the Board
Sinco Pharmaceuticals Holdings Limited
Huang Xiangbin
Chairman and Executive Director

Hong Kong, 30 March 2022

As at the date of this announcement, the executive Director is Mr. Huang Xiangbin; and the independent non-executive Directors are Mr. Lau Ying Kit, Mr. Liu Wenfang, Mr. Wang Qing and Mr. Bai Zhizhong.