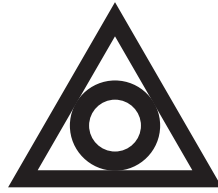


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**SINO BIOPHARMACEUTICAL LIMITED**  
**中國生物製藥有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

Website: [www.sinobiopharm.com](http://www.sinobiopharm.com)

**(Stock code: 1177)**

**ANNUAL RESULTS ANNOUNCEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER, 2021**

**FINANCIAL HIGHLIGHTS**

	<b>For the year end 31 December,</b>		
	<b>2021</b>	<b>2020</b>	<b>Change</b>
	<b>RMB' Billion</b>	<b>RMB' Billion</b>	<b>%</b>
Revenue	<b>26.86</b>	23.65	+13.6%
Gross profit	<b>21.53</b>	18.46	+16.6%
Profit for the year	<b>16.61</b>	4.34	+282.8%
Profit attributable to the owners of the parent	<b>14.61</b>	2.77	+427.2%
Underlying profit <i>(Note 1)</i>	<b>2.93</b>	2.31	+26.6%
Sales of new products <i>(Note 2)</i>	<b>12.10</b>	9.01	+34.3%
Share of revenue	<b>45.1%</b>	38.1%	
Sales of oncology medicines	<b>9.22</b>	7.62	+21.0%
Share of revenue	<b>34.3%</b>	32.2%	
Sales of innovative medicines	<b>6.35</b>	5.73	+10.8%
Share of revenue	<b>23.6%</b>	24.2%	
Cash and bank balance (current) and bank deposit (non-current)	<b>15.54</b>	14.21	+9.4%
Wealth management products	<b>4.82</b>	4.78	+0.8%

The Board of the Company has recommended the payment of a final dividend of HK4 cents per share for the year ended 31 December, 2021. Together with the first quarterly dividend of HK2 cents per share and the second quarterly dividend of HK2 cents per share paid, the total dividend of the year amounted to HK8 cents per share.

*Note 1:* Underlying profit represents profit attributable to the owners of the parent excluding the impact of (i) share of profits and losses of associates and joint ventures (net of non-controlling interests) and related taxes; (ii) one-off adjustments for the impairment and fair value changes of certain assets and liabilities (net of non-controlling interests) and related taxes; (iii) unrealized fair value losses/(gains) of current equity investments; (iv) unrealized fair value gain of convertible bond embedded derivative component; and (v) effective interest expenses of the convertible bond debt component. A reconciliation between profit attributable to the owners of the parent and underlying profit has been set out under the section headed “Underlying Profit” of this announcement.

*Note 2:* Products launched within five years.

## **CORPORATE PROFILE**

Sino Biopharmaceutical Limited (the “Company” or “Sino Biopharm”), together with its subsidiaries (the “Group”), is a leading, innovative and research and development (“R&D”) driven pharmaceutical conglomerate in the People’s Republic of China (“China” or “PRC”). Our business encompasses a fully integrated chain in pharmaceutical products which covers an array of R&D platforms, a line-up of intelligent production and a strong sales system. The Group’s products have gained a competitive foothold in various therapeutic categories with promising potentials, comprising a variety of biopharmaceutical and chemical medicines for treating tumors, liver diseases, orthopedic diseases and respiratory system diseases. In order to enhance our sustainable competitiveness, the Group attaches great importance to R&D breakthroughs and is positioned as an industry leader in terms of R&D expenditures and product innovation. The Group also actively establishes and extends co-operations with leading domestic and overseas pharmaceutical institutes and enterprises, to bring about the ecological commercialization of world-frontier R&D results to benefit mankind. To take advantage of the development in technology and policy changes and capitalize on opportunities arising from extension of our principal business, the Group adopts a comprehensive strategic layout of development in the greater healthcare field. Meanwhile, the Group actively utilizes new technologies in Big Data, artificial intelligence and financial technology to continuously enhance the efficiency of our management, R&D, manufacture and sales.

### **Principal products:**

Oncology medicines:	Qingkeshu (Abiraterone Acetate) tablets, Anxian (Lenalidomide) capsules, Yinishu (Dasatinib) tablets, Genike (Imatinib Mesylate) capsules, Anyue (Pomalidomide) capsules, Leweixin (Bendamustine Hydrochloride for Injection)
Hepatitis medicines:	Tianqingganmei (Magnesium Isoglycyrrhizinate) injections, Tianqingganping (Diammonium Glycyrrhizinate) enteric capsules
Cardio-cerebral medicines:	Kaina (Beraprost Sodium) tablets, Anrixin (Rivaroxaban) tablets
Orthopedic medicines:	Gaisanchun (Calcitriol) capsules, Yigu (Zoledronic Acid) injections, Taiyan (Tofacitinib Citrate) tablets
Respiratory system medicines:	Tianqingsuchang (Budesonide Suspension for Inhalation)
Parenteral nutritious medicines:	Xinhaineng (Carbohydrate and Electrolyte) injections, Fenghaina (Ganirelix Acetate Injection)
Others:	Debaian (Flurbiprofen) cataplasms, Qingliming (Iodixanol) injections

The medicines which have received Good Manufacturing Practice (“GMP”) certifications issued by the National Medical Products Administration of the PRC (“NMPA”) are in the following dosage forms: large volume injections, small volume injections, PVC-free soft bags for intravenous injections, capsules, tablets, powdered medicines and granulated medicines. The Group also received the GMP certification for health food in capsules from the Department of Health of Jiangsu Province.

The Group’s several principal subsidiaries: Chia Tai – Tianqing Pharmaceutical Group Co. Ltd. (“CT Tianqing”), Beijing Tide Pharmaceutical Co. Ltd. (“Beijing Tide”), Nanjing Chia Tai Tianqing Pharmaceutical Co., Ltd. (“NJCTT”), Jiangsu Chia Tai Fenghai Pharmaceutical Co., Ltd. (“Jiangsu CT Fenghai”), Jiangsu Chia Tai Qingjiang Pharmaceutical Co., Ltd. (“Jiangsu CT Qingjiang”), CP Pharmaceutical (Qingdao) Co., Ltd. (“CP Qingdao”), Lianyungang Runzhong Pharmaceutical Co., Ltd. (“LYG Runzhong”) and Shanghai Tongyong Pharmaceutical Co., Ltd. (“Shanghai Tongyong”) have been designated “High and New Technology Enterprises”. In addition, NJCTT, Jiangsu CT Qingjiang and Jiangsu CT Fenghai have been designated “Engineering Technological Research Centre for treating tumors and cardio-cerebral phytochemistry medicines of Jiangsu Province”, “Engineering Technological Research Centre for orthopedic medicines” and “Engineering Technological Research Centre for parenteral nutritious medicines” by the Science and Technology Committee of Jiangsu Province, respectively.

Named by the Ministry of Personnel of the PRC as a “Postdoctoral Research and Development Institute”, the research center of CT Tianqing is also the only “New Hepatitis Medicine Research Center” in the country.

Beijing Tide obtained the renewed GMP certification for foreign pharmaceutical company from the Public Welfare and Health Ministry of Japan in December 2012. Japanese pharmaceutical enterprises can assign the manufacturing of aseptic pharmaceutical products (products that are under research and products already launched to the domestic market within Japan) to Beijing Tide for export to Japan.

The Company was selected as a constituent stock of Hang Seng Composite Industry Index – Consumer Goods and Hang Seng Composite SmallCap Index with effect from 8 March, 2010.

In September 2011, CT Tianqing received the first certificate of new edition GMP (Certificate No. CN20110001) issued by the State Food and Drug Administration of the PRC for its small volume (injection) dosage.

The Company became a constituent of the MSCI Global Standard Indices’ MSCI China Index with effect from the close of trading on 31 May, 2013.

The Company was included in Forbes Asia’s “Asia Fab 50 Companies” for three consecutive years in 2016, 2017 and 2018.

In December 2017, Qingzhong (Tenofovir Disoproxil Fumarate) tablet became the first generic drug in the PRC that had completed the bioequivalence study according to the “Consistency of Quality and Efficacy Evaluation for Generic Drugs” (“Consistency Evaluation”) standard. The Group was the first enterprise that passed the Consistency Evaluation.

In January 2018, Tuotuo (Rosuvastatin Calcium) tablet became the only drug that was approved in the Consistency Evaluation among a whole variety of drugs within Jiangsu Province and was the first of the same kind of drugs in the PRC.

In May 2018, a new Chemicals Category 1 drug of antitumor – Focus V (Anlotinib Hydrochloride) capsule obtained the approval for drug registration granted by NMPA.

The Company was included in American Magazine Pharm Exec’s Top 50 Companies for two consecutive years in 2019 and 2020.

The Company was selected as a constituent stock of the Hang Seng Index with effect from 10 September 2018.

The Company was selected as a constituent stock of the Hang Seng China Enterprises Index with effect from 9 December 2019.

The Company was selected as a constituent stock of Hang Seng Connect Biotech 50 Index on 23 March 2020.

The Company became a constituent stock of Hang Seng China (HK-listed) 25 Index in June 2020.

The Group’s website: <http://www.sinobiopharm.com>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Industry Overview

During the year under review, even though facing complicated and testing domestic and international situations, plus different risks and challenges, Mainland China achieved significant results from her coordinated anti-COVID-19 pandemic efforts, which helped the economy restore and develop. The country's GDP for the year reached RMB114 trillion, an 8.1% growth year-on-year.

In 2021, pharmaceutical companies in the country saw rapid growth. In the first three quarters, those of above designated size in all made operating income of RMB2.13 trillion, up by 24.4% year-on-year, and their total profit amounted to RMB452.53 billion, representing a surge of 80.6% year-on-year.

With the entire biopharmaceutical industry and its innovation ecosystem gradually improving, pharmaceutical innovation capability has not only become an important part of the country's economic strength, but also essentially a factor that can make the nation strong. In 2021, NMPA approved 76 new drugs (excluding vaccines), including 37 new imported drugs, 12 innovative Chinese medicines, and 27 domestic innovative drugs, the number of approved drugs being on par with those of developed countries. Mainland China will strengthen innovation-led development, stabilize its industrial supply chain, and also step up implementing the policy of weighted deduction for R&D expenses.

With the country's disease prevention and control system reformed, Mainland China has enhanced its medical and health service capabilities. Medical insurance reimbursement now covers outpatient expenses of more common diseases. Moreover, the direct settlement method for trans-provincial medical treatment expenses has been improved, with medical insurance subsidy level increased. Insurance coverage of prevention and treatment services for cardiovascular and cerebrovascular diseases and cancer, and medicines for treating rare diseases is being raised gradually. Per capita subsidy for medical insurance of citizens and for basic public health services has been further increased by RMB30 and RMB5 respectively, and the rate of direct settlement of trans-provincial hospital expenses is 60% currently.

Systematic centralized procurement of drugs and high-value medical consumables by the National Healthcare Security Administration shall become a norm, meaning centralized procurement will be the basic procurement model for public medical institutions. The system covers three major medicine segments, namely chemical drugs, proprietary Chinese medicines and biological drugs, and high-value medical consumables with focus on such types as orthopedic consumables, drug balloons and dental implants. On 26 November 2021, tender results proposed for the sixth batch of drugs (specializing in insulin) for national centralized procurement were announced. After a three-day public notice period, on 30 November, the "Notice on the Results of National Centralized Drug Procurement (Specializing in insulin)" was released on the Shanghai Sunshine Medical Procurement All-In-One website. With procurement of the sixth batch of drugs (specializing in insulin) completed, tender for the seventh batch of national centralized drug procurement will open soon. By the end of 2022, more than 350 medicines and more than 5 types of high-value medical consumables will be included on the national and provincial centralized drug procurement list of each province, making centralized procurement a norm that meets the expectation of society.

## **Business Review**

In 2021, the Group actively pushed forward marketing reforms to counter the impacts of medical reform policies, such as centralized drug procurement and national medical insurance negotiations, in the industry. Still at the core of its marketing efforts, the hospital market is naturally the first target of the Group's marketing reform efforts. The Group selected to forge in-depth strategic cooperation with leading high-potential hospital clients, with a focus on deepening client relationships and set benchmarks, and gradually facilitated the development of lesser-to-low-potential hospitals. Heeding centralized drug procurement and hospital market entry conditions, the Group intensively cultivated tender-won and selected hospital products, worked hard on boosting quantity and capacity, thus succeeded in turning disadvantages into advantages. While the hospital market was developing steadily, the Group embraced a two-pronged – online and offline businesses – development strategy, deepening cooperation with Medlinker and other e-commerce operators, thereby achieved a diversified sales model and stronger corporate brand power. The Group prides product clusters of RMB100 million worth in different medical realms, with most of the products claiming a greater market share than rival products. Its different products now enjoy good synergies.

Aiming for all staff as one to help with reducing costs and improving efficiency, the Group optimized the supply chain management and process control, flexibly assigned production capacity and brought in third party consultation to help with diagnosing problems for cost reduction sake. At the same time, it continuously pursued innovation in craftsmanship, as well as performance improvement of both human and machine so as to ultimately increase production efficiency.

Highlights of results of the Group for the year:

### ***Highlights of business development***

- Anlotinib Hydrochloride Capsules (Focus V) obtained new drug certification and drug registration (Chemicals Category I drug) on 8 May 2018. It has thus far been approved for 4 indications and 1 registration application in China. In January 2021, it was approved for use in treating “medullary thyroid carcinoma” and a registration application for use in treating differentiated thyroid cancer was filed in May. Phase III clinical trial on soft tissue sarcoma (synovial sarcoma) conducted in the United States recorded excellent results. Research on Anlotinib for registration purpose being conducted in Mainland China included clinical research on tumors, such as non-small cell lung cancer, small cell lung cancer, hepatocellular carcinoma, renal cell carcinoma, colorectal cancer and ovarian cancer, and research on exploring or confirming combined use with PD-L1, targeted or chemotherapeutic drugs, pushing towards first-line clinical treatment use. In 2021, the 4 indications approved for Anlotinib were included on the National Medical Reimbursement Drug List. With the new indications approved, sales amount of Anlotinib in the market will rise further.
- In August 2021, Penpulimab (anti PD-1 monoclonal antibody) was given the green light for launch to market and application for indications including non-small cell lung cancer and nasopharyngeal carcinoma was completed. Phase III clinical research on use in treatment of hepatocellular carcinoma, gastric cancer and carcinoma of gastroesophageal junction are underway.



- In 2021, invention patents obtained by the Group exceeded 1,000 cumulatively.
- With contract signed with Minhang District in Shanghai, the Group announced that Mainland China headquarters of the Group and the global R&D headquarters of its subsidiary CT Tianqing will be established in Shanghai.

### ***Highlights of product sales***

- Therapeutic areas: The year-on-year increase of RMB3.2 billion in revenue in 2021 is mainly due to the contribution of RMB3.1 billion in the three therapeutic areas of anti-tumor, cardio-cerebral and respiratory system, and the negative impact of the price drop being compensated for by the high sales volume; among which, revenue of anti-tumor products grew by 21%, benefiting from the growth momentum brought by the products launched within 5 years, with a total of 23 products (including innovative medicines) having been launched within 5 years.
- New products: products launched within 5 years amounted to approximately RMB12.1 billion, representing approximately 45% of the Group's revenue. It is a record high, with a 4-year compound annual growth rate of approximately 58.0%.
- Innovative medicines: In 2021, Aniko was newly added. Total sales of 3 innovative medicines amounted to approximately RMB6.35 billion, representing approximately 24% of the Group's revenue, with a 4-year compound annual growth rate of approximately 34.8%.
- Innovative drug Tianqingganmei becomes a payment reform pilot product of the National Healthcare Security Administration, and the restrictions of medical insurance reimbursement have been lifted. Tianqingsuchang, the first generic product of its kind launched in the market, won the bid in the fifth batch of centralized drug procurement.
- Impact of centralized drug procurement: The pressure of centralized drug procurement was within expectations. The impact of the first four batches of centralized drug procurement had been basically digested, and a new situation of normalization of centralized procurement has to be faced. The impact of the fifth batch of centralized drug procurement will continue to be digested in 2022.

## ***Awards***

- On 21 July, the 2021 MHIS was unveiled at the Yun'an Huidu International Conference Center in Kunming, Yunnan and the highlight of occasion was the reveal of the 2020 Top 100 Enterprises in China's Pharmaceutical Industry lists. Sino Biopharm ranked 2nd among the "2020 Top 100 Chemical Pharmaceutical Companies in China". As a leader and pioneer of China's pharmaceutical industry, Sino Biopharm has never rest on its laurels, but kept braving challenges, which has seen it ultimately assume leadership.
- On 18 September 2021, results of "2021 China Pharmaceutical R&D Strength Rankings" were announced at the "2021 Conference on High Quality Development of Health Industry and the 6th Summit for China Pharmaceutical R&D Innovation (PDI)". Among them, the "2021 Top 100 Enterprises in China – Comprehensive Strength in Medicine R&D" caught the most eyes for those on the list are the ones affording the highest standard of comprehensive R&D capabilities. CT Tianqing, a subsidiary of Sino Biopharm, placed second in the "2021 Medicine R&D Strength Ranking in China".

## ***Poverty alleviation and disaster Relief***

- Continuous torrential rains wreaked havoc in Henan tugging at heartstrings. "When one place suffers misfortune, aid comes from all quarters". With a strong sense of social responsibility and a sense of mission as a pharmaceutical enterprise, Sino Biopharm donated RMB5 million in cash and emergency relief supplies worth RMB5 million through the Liaison Office of the Central People's Government in the Hong Kong Special Administrative Region (LOCPG HK) to support emergency medical rescue efforts in Henan. Its hopes were to ensure no epidemic should surface after the catastrophe and to protect the life and physical and mental health of those affected by the disaster in Henan.
- On December 27, Sino Biopharm and its member companies Beijing Tide, CT Tianqing and CP Qingdao hosted a poverty alleviation and agricultural support activity in Beijing, "Procuring agricultural products to help revitalize rural areas". A procurement agreement of RMB2.75 million worth was signed with the Mengjiazhuang Village, Liuzhangzi Town, Chengde County, Chengde City, Hebei Province.



On the R&D front, the Group has optimized its product pipelines and the structure of new projects heeding national policy trends, focusing more on key innovative products with obvious clinical advantages and high market value.

In 2021, the Group obtained market launch approval for 33 products, including Aprepitant Capsules, Lenvatinib Mesilate Capsules (2 specifications), Vortioxetine Hydrobromide Tablets, Edaravone Injection, Amlodipine Besylate and Atorvastatin Calcium Tablets, Sofosbuvir Tablets, Sitagliptin Phosphate Tablets, Colistimethate Sodium for Injection and Tofacitinib Citrate Tablets, plus approval for launch of Colesevelam Hydrochloride Tablets in the US and approval for sales of Iguratimod Active Pharmaceutical Ingredients (API) in Japan.

In 2021, the Group obtained 36 marketing approvals, made 52 clinical trial applications involving 26 innovative drug products, and received 51 clinical trial approvals including 34 Category I innovative drug research projects and involving 25 Category I innovative products.

### **Financial Review**

During the year, the Group recorded revenue of approximately RMB26,861.36 million, an increase of approximately 13.6% over last year. Profit attributable to the owners of the parent was approximately RMB14,608.41 million, a significant increase of approximately 427.2% over last year. Earnings per share attributable to the owners of the parent were approximately RMB77.83 cents, an increase of approximately 428.0% over last year. Excluding the share of profits and losses of associates and joint ventures (net of non-controlling interests) and related tax, one-off adjustments for the impairment and fair value changes of certain assets and liabilities (net of non-controlling interests) and related taxes, unrealized fair value losses/(gains) of current equity investments, unrealized fair value gain of convertible bond embedded derivative component and effective interest expenses of the convertible bond debt component, underlying profit attributable to the owners of the parent was approximately RMB2,931.19 million, an increase of approximately 26.6% over last year. Sales of new products accounted for approximately 45.1% of the Group's total revenue for the year, while it was approximately 38.1% for the last year. The Group's liquidity remains strong. With cash and bank balances classified under current assets of approximately RMB10,568.81 million, bank deposits classified under non-current assets of approximately RMB4,972.00 million, and the wealth management products of approximately RMB4,820.03 million in aggregate, the Group's total fund reserve was approximately RMB20,360.84 million at the year end.

The Group continues to focus on developing specialized medicines where its strengths lie so as to build up its brand in specialist therapeutic areas. The major therapeutic areas of the Group include oncology medicines, hepatitis medicines, cardio-cerebral medicines, orthopedic medicines, respiratory system medicines, parenteral nutritious medicines and others.

### ***Oncology medicines***

For the year ended 31 December, 2021, the sales of oncology medicines amounted to approximately RMB9,216.10 million, representing approximately 34.3% of the Group's revenue.

### ***Hepatitis medicines***

For the year ended 31 December, 2021, the sales of hepatitis medicines amounted to approximately RMB3,662.71 million, representing approximately 13.6% of the Group's revenue.

### ***Cardio-cerebral medicines***

For the year ended 31 December, 2021, the sales of cardio-cerebral medicines amounted to approximately RMB2,840.75 million, representing approximately 10.5% of the Group's revenue.

### ***Orthopedic medicines***

For the year ended 31 December, 2021, the sales of orthopedic medicines amounted to approximately RMB2,436.28 million, representing approximately 9.1% of the Group's revenue.

### ***Respiratory system medicines***

For the year ended 31 December, 2021, the sales of respiratory medicines amounted to approximately RMB2,136.78 million, representing approximately 8.0% of the Group's revenue.

### ***Parenteral nutritious medicines***

For the year ended 31 December, 2021, the sales of parenteral medicines amounted to approximately RMB1,208.31 million, representing approximately 4.5% of the Group's revenue.

### ***Others***

For the year ended 31 December, 2021, the sales of others amounted to approximately RMB5,360.43 million, representing approximately 20.0% of the Group's revenue.

## UNDERLYING PROFIT

Addition information is provided below to reconcile profit attributable to the owners of the parent and underlying profit. The reconciling items principally adjust for the impact of share of profits and losses of associates and joint ventures (net of non-controlling interests) and related tax, one-off adjustments for the impairment and fair value changes of certain assets and liabilities (net of non-controlling interests) and related tax, unrealized fair value losses/(gains) of current equity investments, as well as the unrealized fair value gain of Convertible Bond embedded derivative component and effective interest expenses of Convertible Bond debt component.

	<b>For the year ended 31 December,</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Profit attributable to the owners of the parent	<b>14,608,412</b>	2,771,086
Share of profits and losses of associates and joint ventures (net of non-controlling interests) and related taxes	<b>(12,435,455)</b>	(35,893)
One-off adjustments for the impairment and fair value changes of certain assets and liabilities (net of non-controlling interests) and related taxes	<b>858,566</b>	(414,187)
Unrealized fair value losses/(gains) of current equity investments, net	<b>15,748</b>	(19,978)
Unrealized fair value gain of Convertible Bond embedded derivative component	<b>(225,357)</b>	(88,009)
Effective interest expenses of Convertible Bond debt component	<b>109,275</b>	101,511
Underlying profit	<b><u>2,931,189</u></b>	<b><u>2,314,530</u></b>
Basic earnings per share		
Underlying profit attributable to the owners of the parent used in the basic earnings per share calculation	<b><u>2,931,189</u></b>	<b><u>2,314,530</u></b>
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation (Shares)	<b><u>18,768,649,757</u></b>	<b><u>18,800,284,155</u></b>
Basic earnings per share, based on underlying profit attributable to the owner of the parent (RMB' cents)	<b><u>15.62</u></b>	<b><u>12.31</u></b>

To supplement the consolidated results of the Group prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”), underlying profit is presented in this results announcement as an additional non-HKFRS financial measure to provide supplementary information for better assessment of the performance of the Group’s core operations by excluding impacts of certain non-cash items and the contribution of associates and joint ventures. Underlying profit is to be considered in addition to, and not as a substitute for, measures of the Group’s financial performance prepared in accordance with HKFRS.

## **INVESTMENT IN ASSOCIATES AND JOINT VENTURES**

During the year under review, the businesses of the Group’s major associates and joint ventures were carried out smoothly and their performance was in line with expectation. Among them, Sinovac Life Sciences Co., Ltd. (“Sinovac”), a company which is mainly engaged in the R&D, production and sales of human vaccines and in which the Group holds 15.03% equity interests, performed particularly well. Its COVID-19 vaccine CoronaVac has been granted an emergency use or conditional marketing authorization in more than 60 countries, regions and international organizations and also included in the emergency use list of World Health Organization. Currently, the cumulative global supply exceeds 2.7 billion doses. The cumulative inoculation volume exceeds 2.3 billion doses in which more than 260 million doses of minors have been vaccinated. It becomes one of the most widely used COVID-19 vaccines in the world. Some clinical and real-world studies in the world show that CoronaVac has good safety and protection effects for children, teenagers, pregnant women, the elderly and people with chronic underlying diseases. Sinovac has entered vaccine production cooperation with partners in some countries, making positive contribution to improving the accessibility and affordability of COVID-19 vaccines and helping the prevention and control of the pandemic across the globe. Sinovac was treated as an associate in the financial statements of the Group and accounted for using the equity method. At the end of the review year, the carrying amount of the investment in the associates and joint ventures was approximately RMB14,266.40 million, accounting for approximately 23.6% of the Group’s total assets. Due to the strong financial performance of individual associate, the associates and joint ventures as a whole contributed a profit of approximately RMB13,630.79 million in total to the Group during the year under review. After deducting related taxes of approximately RMB1,252.12 million, their actual profit contribution totaled approximately RMB12,378.67 million.

## **EQUITY INVESTMENTS/FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

As at 31 December, 2021, the Group had the non-current equity investments designated at fair value through other comprehensive income (including certain listed and unlisted equity investments) of approximately RMB1,988.24 million (31 December 2020: approximately RMB1,991.11 million) and current equity investments designated at fair value through profit or loss (including certain listed shares investments) of approximately RMB405.21 million (31 December, 2020: approximately RMB389.68 million).

In addition, as at 31 December, 2021, the Group had the non-current financial assets at fair value through profit or loss of approximately RMB3,942.85 million (31 December 2020: RMB3,865.07 million) and the current financial assets at fair value through profit or loss, including certain wealth management products and trust funds of approximately RMB4,250.53 million (31 December 2020: approximately RMB3,827.06 million), including the wealth management products of China Construction Bank (approximately RMB702.22 million), CCB Wealth Management (approximately RMB650.31 million), China Citic Bank (approximately RMB612.52 million), SPD Bank (approximately RMB602.21 million), Citic Securities (approximately RMB539.75 million), Nanjing Bank (approximately RMB402.27 million) and other banks. The wealth management products mainly consisted of principal-guaranteed products with floating return and relatively lower risk of default. All principal and interests will be paid together on the maturity date. The board (“Board”) of directors (the “Directors”) of the Company believes that the investment in wealth management products and trust funds can strengthen the financial position of the Group and bring the fruitful contribution to the profit of the Group. As at 31 December, 2021, the above mentioned wealth management products (approximately RMB4,250.53 million) together with the wealth management products reclassified in other receivables (approximately RMB569.50 million) amounted to approximately RMB4,820.03 million in total, representing approximately 8.0% of the total assets of the Group.

For the year ended 31 December, 2021, the Group recorded the realized gain on the disposal of the equity investments of approximately RMB29.75 million and unrealized fair value loss (net) of the current equity investments of approximately RMB15.75 million. The Board believes that the investment in equity investments and financial assets can diversify the investment portfolio of the Group and achieve a better return to the Group in future.

## **R&D**

The Group has continued to focus its R&D efforts on new hepatitis, oncology, respiratory system and cardio-cerebral medicines. During the year, the Group was granted 36 registration approvals, made 52 clinical trial applications involving 26 innovative drugs, and obtained 51 clinical trial approvals including 34 Category I innovative drug research projects and involving 25 Category I innovative products. Cumulatively, a total of 417 pharmaceutical products had obtained clinical trial approval, or were under clinical trial or applying for production approval. Out of these, 37 were for hepatitis medicines, 215 for oncology medicines, 22 for respiratory system medicines, 16 for endocrine, 17 for cardio-cerebral medicines and 110 for other medicines.

Over the years, the Group has been placing high importance on R&D and bringing innovation, collaboration and imitation together to raise R&D standards and efficiency. Regarding R&D as the lifeblood of the Group’s development, the Group continues to devote into more resources. For the year ended 31 December, 2021, the R&D expenditure amounted to approximately RMB3,820.17 million in total, accounted for approximately 14.2% of the Group’s revenue, most of which was charged to the statement of profit or loss. During the year, expenditure on innovative drugs and biological drugs accounted for more than 70% of the R&D expenditure, an increase of approximately 64.7% compared with last year. Expenditure on the therapeutic area of oncology accounted for approximately 75% of the R&D expenditure, an increase of approximately 71.2% over last year.

The Group also emphasizes on the protection of intellectual property rights. It encourages its enterprises to apply for patent applications as a means to enhance the Group's core competitiveness. During the year, the Group has filed 939 new patent applications and received 290 authorized patent notices

## **INVESTOR RELATIONS**

The Group is committed to maintaining high corporate governance standards to ensure long-term sustainable development. Despite the spread of the COVID-19 pandemic during the year under review, the Group has been proactive in approaching local and overseas investors through diversified channels to maintain an open line of communication and ensure that investors had a thorough understanding of its latest business developments and strategies. Moreover, the Group has gathered valuable insights from investors through personal exchanges, aiming to further elevate its corporate governance standards.

Beyond this, the Group has taken the initiative to publish the latest information on its business development for investors. In addition, during late August, the Group held an investor presentation in hybrid mode for the first time to inform investors about its 2021 interim results and its latest business development updates. The presentation was enthusiastically received and attracted the participation of more than 100 and 300 investors online and offline, respectively. The Group also distributed a press release relating to its financial results to the media to keep retail investors well-informed about its latest business status and prospects via media coverage. Apart from the press release on its results, the Group also dispatched additional information, highlighted by the Company's repurchase of shares and the increase in shareholding by the Directors periodically through media channels, hoping to strengthen the confidence of shareholders and investors.

Besides, the Group also joined larger-scale events. Its management participated in many online investment summits and roadshows during the year hosted by large investment banks and securities companies, including the Bank of America, Citi, J.P. Morgan, Morgan Stanley, UBS and CICC, all in a bid to help investors gain an update on the Group's business development and competitive advantages.

As always, the Group has published its annual reports, interim reports, interim and annual results announcements, disclosures and circulars on both its corporate website and the website of the Hong Kong Exchanges and Clearing Limited. In addition, it issues voluntary announcements to inform shareholders and investors about its latest business endeavors so as to maintain transparency and market interest.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group's liquidity remains strong. During the year, the Group's primary sources of funds were cash derived from operating activities, issuance of convertible bonds and bank borrowings. As at 31 December, 2021, the Group's cash and bank balances were approximately RMB10,568.81million (31 December, 2020: approximately RMB11,259.08 million).



## **CAPITAL STRUCTURE**

As at 31 December, 2021, the Group had short term loans of approximately RMB6,520.57 million (31 December, 2020: approximately RMB1,552.83 million) and had long term loans of approximately RMB413.34 million (31 December, 2020: approximately RMB6,922.12 million). In addition, the debt component of the convertible bonds amounted to approximately RMB4,799.19 million as at 31 December, 2021 (31 December, 2020: RMB5,441.32 million).

## **CHARGE ON ASSETS**

As at 31 December, 2021, the Group had charge on assets of approximately RMB854.28 million (31 December, 2020: approximately RMB856.39 million), excluding the amount of bills receivable discounted at banks of approximately RMB5.93 million (31 December, 2020: approximately RMB99.48 million).

## **CONTINGENT LIABILITIES**

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

## **ASSETS AND GEARING RATIO**

As at 31 December, 2021, the total assets of the Group amounted to approximately RMB60,543.34 million (31 December, 2020: approximately RMB47,210.44 million) whereas the total liabilities amounted to approximately RMB22,814.31 million (31 December, 2020: approximately RMB24,790.88 million). The gearing ratio (total liabilities over total assets) was approximately 37.7% (31 December, 2020: approximately 52.5%).

## **EMPLOYEE AND REMUNERATION POLICIES**

The Group had 25,579 employees as at 31 December, 2021 and remunerates its employees based on their performance, experience and the prevailing market rates. Other employee benefits include mandatory provident fund, insurance and medical coverage, subsidized training programmes as well as employee share incentive schemes. Total staff cost (including Directors' remuneration) in selling and distribution costs and administrative expenses for the year was approximately RMB4,567,982,000 (2020: approximately RMB3,726,354,000).

The Group adopted the Share Option Scheme on 28 May, 2013 (the "2013 Share Option Scheme") and the Share Award Scheme on 5 January, 2018 (the "2018 Share Award Scheme"), both of which will provide incentive to retain and encourage the selected participants for the continual operation and development of the Group. As of 31 December, 2021, (i) no option in respect of the Shares had been granted under the 2013 Share Option Scheme; and (ii) 140,830,500 Shares were held on trust under the 2018 Share Award Scheme and no Shares had been granted to any selected participant yet.



## **EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES**

Most of the assets and liabilities of the Group were denominated in Renminbi, US dollars, Euro and HK dollars. The Group will continue to closely monitor the net foreign exchange exposure to reduce the impact of foreign exchange fluctuations.

## **ENVIRONMENTAL, SOCIAL AND GOVERNANCE**

Sino Biopharm is committed to a high standard of environmental, social and governance (“ESG”) management. We constantly improve the Group’s ESG management performance and promote the sustainable development of the industry. During the year, the Group has established an ESG Committee at the Board level to perform the ESG supervisions, decision-making and management duties on behalf of the Board. At the same time, the Group has established an ESG Work Management Committee at the management level to improve ESG risk response and internal systematic management on an ongoing basis and organize the implementation of the Board’s ESG strategies and requirements. Besides, the Group has also established the Office for ESG Department and ESG Work Management Committee, a dedicated ESG management department responsible for the overall planning, coordinating and supervising the ESG management and practices of all member companies. Each member company has established an ESG working committee to ensure the effective implementation of ESG management work according to the Group’s ESG philosophy, strategies and requirements.

During the year under review, the Group actively carried out stakeholder communication and comprehensively assessed the materiality of ESG issues. Taking this as the main basis, we carried out systematic improvement on key ESG issues related to corporate governance, compliant operation, innovation and R&D, pharmaceutical inclusion, quality control, talent incentives and waste management. The Group has established the Risk and Compliance Committee, formulated and strictly implemented a risk and compliance management system to ensure a closed-loop management of risk evaluation, control, audit and rectification. In 2021, the Group actively improved the construction of quality, environmental, health and safety systems and their certification, and many of our member companies have obtained ISO 9001, ISO 14001 and ISO 45001 management system standardization certifications, and all member companies and their manufacturing bases have met the requirements of GMP certification for the quality management of pharmaceutical production in China. The Group thoroughly identified climate change risks and formulated adaptation measures, promoted a number of energy saving and emission reduction enhancement projects, and continued to deepen its development in the green transformation of the pharmaceutical industry. The Group also attaches great importance to employee training and development, pays attention to employees’ demands, and protects its employees’ rights in accordance with the laws and is committed to building a safe, diversified, equal and harmonious working environment.

Sino Biopharm upholds the value of “benefit the country, benefit the general public and benefit the enterprise”, and proactively fulfills its responsibilities as a corporate citizen. We actively invest in the community, which covers activities such as fighting the pandemic, flood and disaster relief, rural revitalization, donation for education and public welfare.

The Board believes that a high standard of ESG governance is an important foundation for the promotion of the Group's high-quality development, the realization of long-term value and creation of sustaining returns. Details of the Group's ESG management in 2021 will be presented in the ESG Report to be published by the Company in due course.

## **PROSPECTS**

With the pharmaceutical industry transforming and restructuring at increasing speed, the Group stresses that innovation is the theme the future pharmaceutical industry should embrace, and also a prerequisite for a pharmaceutical enterprise to survive and achieve better development. The Group will implement its R&D and innovation strategy in full scope, continue to broaden R&D project evaluation and take to greater depth pharmacological screening of candidate compounds. The Group's therapeutic fields will not be limited to new technologies, new directions and new targets in such fields as oncology, liver disease and cardiovascular and cerebrovascular diseases, but will also cover areas where clinical needs are not met. By capturing new opportunities to develop cutting-edge technologies, it hopes to expand the coverage of therapeutic fields in new drugs research. The "Guiding Principles on Clinical Value-Oriented Research and Development of Anti-tumor Drugs" issued by the Center for Drug Evaluation of the NMPA requires new drugs to be developed to have higher clinical value than existing ones in the market, including having better clinical efficacy, less adverse effect, easier to use, etc. While continuing to enhance its technological strengths by expanding the small molecule and macromolecule innovation pipelines, the Group has also created, in the cutting-edge drug realm, innovative pipelines with Sino Biopharmaceutical characteristics, deployed innovative drug projects with best-in-class (BIC) and first-in-class (FIC) potential, thus furthered the core competitiveness of its R&D activities to align with international standards.

As generic drugs are still an indispensable business supporting stable development of the Group, while actively developing innovative drugs, the Group will maintain its basic generic drug portfolio, continuing to produce new generic drugs in quantity, of high quality and at high efficiency. It will keep honing its competitive edges in launching new generic drugs, and pursuing hard-to-replicate generic drugs, plus push forward R&D of generic drugs aiming for quality and efficiency.

As a whole, the bulk of new drugs to be marketed by the Group will be small- and macro-molecule innovative drugs to which it owns complete intellectual property rights. The Group's brand image as an innovation-led pharmaceutical company will be fully recognized by the industry.

## **APPRECIATION**

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

## RESULTS

The Board of the Company announces the audited consolidated results of the Group for the year ended 31 December, 2021 together with the comparative consolidated results for 2020 as follows:

### Consolidated Statement of Profit or Loss

	Notes	For the year ended 31 December,	
		2021	2020
		RMB'000	RMB'000
		(Audited)	(Audited)
REVENUE	3	26,861,356	23,647,224
Cost of sales		<u>(5,332,095)</u>	<u>(5,182,320)</u>
Gross profit		21,529,261	18,464,904
Other income and gains	3	1,068,929	1,241,223
Selling and distribution costs		(10,518,393)	(8,972,635)
Administrative expenses		(2,185,234)	(2,655,926)
Other expenses		(4,644,063)	(2,737,921)
<i>Including: Research and development costs</i>		<i>(3,677,259)</i>	<i>(2,626,709)</i>
Finance costs	4	(308,617)	(323,368)
Share of profits and losses of associates and joint ventures		<u>13,630,790</u>	<u>(3,233)</u>
PROFIT BEFORE TAX	5	18,572,673	5,013,044
Income tax expense	6	<u>(1,957,880)</u>	<u>(672,377)</u>
PROFIT FOR THE YEAR		<u><b>16,614,793</b></u>	<u><b>4,340,667</b></u>
Profit attributable to:			
Owners of the parent		14,608,412	2,771,086
Non-controlling interests		<u>2,006,381</u>	<u>1,569,581</u>
		<u><b>16,614,793</b></u>	<u><b>4,340,667</b></u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
– Basic		<u><b>RMB77.83 cents</b></u>	<u>RMB14.74 cents</u>
– Diluted		<u><b>RMB73.26 cents</b></u>	<u>RMB14.74 cents</u>

Details of the final dividend recommended for the year are disclosed in note 7 of this announcement.

## Consolidated Statement of Comprehensive Income

	For the year ended 31 December,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Audited)	(Audited)
PROFIT FOR THE YEAR	<u><b>16,614,793</b></u>	<u>4,340,667</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(140,990)</u>	<u>(75,456)</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>(140,990)</u>	<u>(75,456)</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	<u>298,026</u>	363,891
Income tax effect	<u>—</u>	<u>—</u>
	<u>298,026</u>	<u>363,891</u>
Share of other comprehensive income of associates	<u>43,925</u>	<u>52,914</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>341,951</u>	<u>416,805</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>200,961</u>	<u>341,349</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><b>16,815,754</b></u>	<u>4,682,016</u>
Attributable to:		
Owners of the parent	<u>14,811,893</u>	3,112,163
Non-controlling interests	<u>2,003,861</u>	<u>1,569,853</u>
	<u><b>16,815,754</b></u>	<u>4,682,016</u>

## Consolidated Statement of Financial Position

		<b>31 December, 2021</b>	31 December, 2020
	<i>Notes</i>	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
		<b>(Audited)</b>	<b>(Audited)</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>7,154,298</b>	6,870,288
Investment properties		<b>705,626</b>	308,559
Right-of-use assets		<b>1,361,764</b>	1,521,916
Goodwill		<b>647,930</b>	88,926
Intangible assets		<b>1,064,016</b>	924,710
Investments in associates and joint ventures		<b>14,266,396</b>	5,050,637
Equity investments designated at fair value through other comprehensive income		<b>1,988,238</b>	1,991,107
Financial assets at fair value through profit or loss		<b>3,942,851</b>	3,865,074
Bank deposits		<b>4,972,000</b>	2,950,000
Deferred tax assets		<b>334,865</b>	463,366
Prepayments and other asset		<b>602,175</b>	381,652
		<hr/>	<hr/>
Total non-current assets		<b>37,040,159</b>	24,416,235
<b>CURRENT ASSETS</b>			
Inventories		<b>1,937,741</b>	1,880,051
Trade and bills receivables	<i>9</i>	<b>4,220,667</b>	2,914,077
Prepayments, other receivables and other assets		<b>1,715,452</b>	2,398,724
Amounts due from related companies		<b>404,767</b>	125,536
Equity investments designated at fair value through profit or loss		<b>405,206</b>	389,675
Financial assets at fair value through profit or loss		<b>4,250,533</b>	3,827,056
Cash and bank balances	<i>10</i>	<b>10,568,812</b>	11,259,084
		<hr/>	<hr/>
Total current assets		<b>23,503,178</b>	22,794,203

		<b>31 December, 2021</b>	31 December,
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Audited)</b>	<b>(Audited)</b>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	<i>11</i>	<b>1,693,152</b>	1,947,802
Tax payable		<b>101,167</b>	60,701
Other payables and accruals		<b>6,728,000</b>	7,353,512
Amount due to related companies		<b>237,662</b>	–
Interest-bearing bank borrowings		<b>6,520,565</b>	1,552,825
Lease liabilities		<b>64,473</b>	28,699
		<hr/>	<hr/>
Total current liabilities		<b>15,345,019</b>	10,943,539
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		<b>8,158,159</b>	11,850,664
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>45,198,318</b>	36,266,899
		<hr/>	<hr/>
<b>NON-CURRENT LIABILITIES</b>			
Convertible bonds – debt component		<b>4,799,189</b>	5,441,324
Convertible bonds – embedded derivative instrument		<b>152,797</b>	439,188
Deferred government grants		<b>674,450</b>	608,201
Interest-bearing bank borrowings		<b>413,337</b>	6,922,115
Lease liabilities		<b>319,949</b>	264,861
Contingent consideration		<b>227,983</b>	–
Deferred tax liabilities		<b>881,590</b>	171,652
		<hr/>	<hr/>
Total non-current liabilities		<b>7,469,295</b>	13,847,341
		<hr/>	<hr/>
Net assets		<b>37,729,023</b>	22,419,558
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Share capital	<i>12</i>	<b>415,440</b>	415,895
Treasury shares		<b>(689,347)</b>	(469,944)
Reserves		<b>30,565,023</b>	16,801,209
		<hr/>	<hr/>
		<b>30,291,116</b>	16,747,160
		<hr/>	<hr/>
Non-controlling interests		<b>7,437,907</b>	5,672,398
		<hr/>	<hr/>
Total equity		<b>37,729,023</b>	22,419,558
		<hr/> <hr/>	<hr/> <hr/>

## 1. BASIS OF PREPARATION

These consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all HKFRSs, Hong Kong Accounting Standards (“HKAS”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance. The financial statements have been prepared under the historical cost convention, except for equity investments which have been measured at fair value. These financial statements are presented in 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 (collectively referred to as the “Group”) for the year ended 31 December, 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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 in the accounting policy for subsidiaries above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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



## 1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

## 2. OPERATING SEGMENT INFORMATION

The management considers the business from products/services perspective. The three reportable segments are as follows:

- (a) the chemical medicines and biopharmaceutical medicines segment comprises the manufacture, sale and distribution of the chemical medicine products and modernized Chinese medicine products;
- (b) the investment segment is engaged in long term and short term investments; and
- (c) the other segment comprises, principally, (i) the Group's R&D sector which provides services to third-party; and (ii) related healthcare and hospital business.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax.

Segment assets exclude deferred tax assets and investments in associates as these assets are managed on a group basis.

Segment liabilities exclude tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

The segment results for the year ended 31 December, 2021 (Audited)

	Chemical medicines and biopharmaceutical medicines RMB'000	Investment RMB'000	Others RMB'000	Total RMB'000
<b>Segment revenue:</b>				
Sales to external customers	<u>26,230,666</u>	<u>–</u>	<u>630,690</u>	<u>26,861,356</u>
<b>Segment results</b>	<u>5,234,169</u>	<u>(147,282)</u>	<u>103,787</u>	<u>5,190,674</u>
<i>Reconciliation:</i>				
Interest and unallocated gains				243,468
Share of profits and losses of associates and joint ventures				13,630,790
Unallocated expenses				<u>(492,259)</u>
Profit before tax				18,572,673
Income tax expense				<u>(1,957,880)</u>
Profit for the year				<u>16,614,793</u>
<b>Assets and liabilities</b>				
Segment assets	32,524,755	11,773,056	1,644,265	45,942,076
<i>Reconciliation:</i>				
Investments in associates and joint ventures				14,266,396
Other unallocated assets				<u>334,865</u>
<b>Total assets</b>				<u>60,543,337</u>
Segment liabilities	9,698,257	11,312,596	820,704	21,831,557
<i>Reconciliation:</i>				
Other unallocated liabilities				<u>982,757</u>
<b>Total liabilities</b>				<u>22,814,314</u>
<b>Other segment information:</b>				
Depreciation and amortisation	<u>896,000</u>	<u>55,985</u>	<u>40,571</u>	<u>992,556</u>
Capital expenditure	<u>1,486,341</u>	<u>14,867</u>	<u>59,969</u>	<u>1,561,177</u>
Other non-cash expenses	<u>414,484</u>	<u>201,091</u>	<u>86,628</u>	<u>702,203</u>

The segment results for the year ended 31 December, 2020 (Audited)

	Chemical medicines and biopharmaceutical medicines RMB'000	Investment RMB'000	Others RMB'000	Total RMB'000
<b>Segment revenue:</b>				
Sales to external customers	23,088,143	–	559,081	23,647,224
<b>Segment results</b>	4,846,762	316,433	35,129	5,198,324
<i>Reconciliation:</i>				
Interest and unallocated gains				231,890
Share of profits and losses of associates and joint ventures				(3,233)
Unallocated expenses				(413,937)
Profit before tax				5,013,044
Income tax expense				(672,377)
Profit for the year				4,340,667
<b>Assets and liabilities</b>				
Segment assets	27,512,197	12,546,829	1,637,409	41,696,435
<i>Reconciliation:</i>				
Investments in associates and joint ventures				5,050,637
Other unallocated assets				463,366
<b>Total assets</b>				47,210,438
Segment liabilities	9,537,565	14,210,345	810,617	24,558,527
<i>Reconciliation:</i>				
Other unallocated liabilities				232,353
<b>Total liabilities</b>				24,790,880
<b>Other segment information:</b>				
Depreciation and amortisation	1,571,078	45,025	38,733	1,654,836
Capital expenditure	1,370,700	92,960	118,603	1,582,263
Other non-cash expenses	6,889	–	2	6,891

## Geographical information

### (a) Revenue from external customers

No further geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in Mainland China.

### (b) Non-current assets

	<b>31 December, 2021 RMB'000 (Audited)</b>	31 December, 2020 RMB'000 (Audited)
Hong Kong	6,750,616	5,618,466
Mainland China	18,715,509	9,751,140
Others	336,080	257,635
	<u>25,802,205</u>	<u>15,627,241</u>

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

### Information about a major customer

No information about a major customer is presented as no single customer contributes to over 10% of the Group's revenue for the year ended 31 December, 2021 and 2020.

## 3. REVENUE, OTHER INCOME AND GAINS

Revenue, which is the Group's revenue, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of revenue, other income and gains is as follows:

	<b>For the year ended 31 December,</b>	
	<b>2021 RMB'000 (Audited)</b>	2020 RMB'000 (Audited)
<b>Revenue</b>		
Sale of goods	26,230,666	23,088,143
Others	630,690	559,081
	<u>26,861,356</u>	<u>23,647,224</u>

	<b>For the year ended 31 December,</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Audited)</b>	<b>(Audited)</b>
<b>Other income</b>		
Bank interest income	<b>162,057</b>	194,003
Dividend income	<b>2,383</b>	4,532
Government grants	<b>135,247</b>	116,469
Sale of materials	<b>26,621</b>	89,258
Investment income	<b>395,450</b>	321,747
Gross rental income	<b>5,769</b>	6,946
Others	<b>79,486</b>	60,250
	<b>807,013</b>	793,205
<b>Gains</b>		
Gain on disposal of items of property, plant and equipment	<b>3,731</b>	4,580
Fair value gains, net		
Equity investment at fair value through profit or loss	–	19,978
Financial assets designated as at fair value through profit or loss	<b>17,113</b>	9,273
Embedded derivative instrument as at fair value through profit or loss	<b>241,072</b>	–
Financial assets as at fair value through profit or loss (Non-current)	–	414,187
	<b>261,916</b>	448,018
<b>Total other income and gains</b>	<b>1,068,929</b>	1,241,223

#### 4. FINANCE COSTS

	<b>For the year ended 31 December,</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Audited)</b>	<b>(Audited)</b>
Interest on bank borrowings	<b>179,623</b>	215,307
Interest on convertible bonds	<b>109,275</b>	101,511
Interest on lease liabilities	<b>19,719</b>	6,550
	<b>308,617</b>	323,368

## 5. PROFIT BEFORE TAX

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

	<b>For the year ended 31 December,</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Audited)</b>	<b>(Audited)</b>
Cost of inventories sold	<b>5,332,095</b>	5,182,320
Depreciation of property, plant and equipment	<b>779,248</b>	771,861
Depreciation of investment properties	<b>21,225</b>	44,684
Depreciation of right-of-use assets	<b>102,166</b>	74,800
Amortization of other intangible assets	<b>89,917</b>	763,491
Research and development costs	<b>3,677,259</b>	2,626,709
Loss on disposal of items of property, plant and equipment	<b>4,278</b>	593
Bank interest income	<b>(162,057)</b>	(194,003)
Investment income	<b>(395,450)</b>	(321,747)
Fair value (gains)/loss, net:		
Equity investments at fair value through profit or loss	<b>15,748</b>	(19,978)
Financial assets at fair value through profit or loss	<b>(17,113)</b>	(9,273)
Financial assets at fair value through profit or loss (non-current)	<b>266,746</b>	(414,187)
Embedded derivative instrument at fair value through profit or loss	<b>(241,072)</b>	(88,009)
Minimum lease payments under operating leases:		
Lease payments not included in the measurement of lease liabilities	<b>129,307</b>	129,176
Auditors' remuneration	<b>6,000</b>	4,840
Employee benefit expense (including directors' remuneration) in selling and distribution costs and administrative expenses		
Wages and salaries	<b>3,699,273</b>	3,136,094
Pension scheme contributions	<b>868,709</b>	590,260
	<b>4,567,982</b>	3,726,354
Accrual of impairment loss of trade receivables	<b>1,621</b>	(3,082)
Impairment of interest in an associate	<b>154,655</b>	–
Impairment of financial assets included in prepayments, other receivables and other assets	<b>60,000</b>	69,283
Impairment of goodwill	<b>47,254</b>	–
Impairment of intangibles	<b>441,098</b>	–
Foreign exchange differences, net	<b>(292,297)</b>	61,800

## 6. INCOME TAX EXPENSE

	For the year ended 31 December,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Audited)	(Audited)
Group:		
Current – Hong Kong	–	–
Current – Mainland China income tax	740,688	830,003
Deferred tax	1,217,192	(157,626)
	<u>1,957,880</u>	<u>672,377</u>
Total tax charge for the year	<u>1,957,880</u>	<u>672,377</u>

The Company incorporated in Cayman Islands are not subject to income or capital gains tax under the law of Cayman Islands. In addition, dividend payments are not subject to withholding tax in Cayman Islands.

The subsidiaries incorporated in the BVI are not subject to income tax as these subsidiaries do not have a place of business (other than a registered office only) or carry on any business in the BVI.

Hong Kong profits tax has been provided at a rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Belgium profit tax has been provided at a rate of 25% on the estimated assessable profits arising in Belgium during the year.

During the year ended 31 December, 2021, CT Tianqing, Beijing Tide, NJCTT, Jiangsu CT Fenghai, Jiangsu CT Qingjiang, CP Qingdao, LYG Runzhong and Shanghai Tongyong were subject to a corporate income tax rate of 15% because they are qualified as a “High and New Technology Enterprise”.

Other than the above mentioned entities, the other entities located in the PRC are subject to a corporate income tax rate of 25% in 2021.

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. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries and associates established in Mainland China in respect of earnings generated from 1 January 2008 with 5% and 10%, respectively.



## **7. DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS**

The Board has recommended the payment of a final dividend of HK4 cents per ordinary share for the year ended 31 December, 2021 (2020: HK2 cents). Subject to the approval by the shareholders of the Company at the annual general meeting to be held on Monday, 6 June, 2022, the final dividend will be paid to shareholders on Tuesday, 12 July, 2022 whose names appear on the register of members of the Company on Wednesday, 22 June, 2022.

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

- (a) For the purpose of determining shareholders who are entitled to attend and vote at the annual general meeting, the register of members of the Company will be closed from Tuesday, 31 May, 2022 to Monday, 6 June, 2022, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the attendance and voting at the annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Monday, 30 May, 2022.
- (b) For the purpose of determining shareholders who are qualified for the final dividend, the register of members of the Company will be closed from Friday, 17 June, 2022 to Wednesday, 22 June, 2022, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Thursday, 16 June, 2022.

## **8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT**

The calculation of the basic earnings per share amount is based on the profit attributable to ordinary equity holders of the parent for the year of approximately RMB14,608,412,000 (2020: approximately RMB2,771,086,000), and the weighted average number of ordinary shares of 18,768,649,757 (2020: 18,800,284,155) in issue during the year, as adjusted to reflect the bonus shares during last year.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest, exchange difference and fair value change on the convertible bonds, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The diluted earnings per share for the year ended 31 December, 2020 did not assume conversion of the convertible bonds as its inclusion would be anti-dilutive.

The calculations of basic and diluted earnings per share for the year ended 31 December, 2021 are based on:

	<b>2021</b> <b>RMB'000</b> <b>(Audited)</b>
<b>Earnings</b>	
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:	<b>14,608,412</b>
Interest on convertible bonds	<b>109,275</b>
Exchange adjustments	<b>(350,714)</b>
Fair value gain on the derivative component of the convertible bonds	<b>(241,072)</b>
	<hr/>
Profit attributable to ordinary equity holders of the parent before interest, exchange gain and fair value gain on convertible bonds	<b>14,125,901</b>
	<hr/> <hr/>
	<b>2021</b> <b>(Audited)</b>
<b>Shares</b>	
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<b>18,768,649,757</b>
Effect of dilution – weighted average number of ordinary shares: – Convertible bonds	<b>514,305,333</b>
	<hr/>
	<b>19,282,955,090</b>
	<hr/> <hr/>

## 9. TRADE AND BILL RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period ranges from 60 days to 180 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

An aged analysis of the Group's trade and bill receivables as at the end of reporting period, based on invoice date and net of provisions, is as follows:

	<b>31 December,</b> <b>2021</b> <b>RMB'000</b> <b>(Audited)</b>	31 December, 2020 <i>RMB'000</i> (Audited)
Current to 90 days	<b>3,573,203</b>	2,289,584
91 days to 180 days	<b>547,008</b>	519,447
Over 180 days	<b>100,456</b>	105,046
	<hr/>	<hr/>
	<b>4,220,667</b>	2,914,077
	<hr/> <hr/>	<hr/> <hr/>

## 10. CASH AND BANK BALANCES

	<b>31 December, 2021 RMB'000 (Audited)</b>	31 December, 2020 RMB'000 (Audited)
Cash and bank balances, unrestricted	<b>6,213,974</b>	6,596,500
Time deposits with original maturity of less than three months	<b>3,385,563</b>	4,027,694
Time deposits with original maturity of more than three months	<b>969,275</b>	634,890
	<b><u>10,568,812</u></b>	<b><u>11,259,084</u></b>

## 11. TRADE AND BILLS PAYABLES

An aged analysis of the Group's trade and bills payables as at the end of reporting period, based on invoice date, is as follows:

	<b>31 December, 2021 RMB'000 (Audited)</b>	31 December, 2020 RMB'000 (Audited)
Current to 90 days	<b>1,073,974</b>	970,392
91 days to 180 days	<b>441,548</b>	717,441
Over 180 days	<b>177,630</b>	259,969
	<b><u>1,693,152</u></b>	<b><u>1,947,802</u></b>

## 12. SHARE CAPITAL

	<b>31 December, 2021 RMB'000 (Audited)</b>	31 December, 2020 RMB'000 (Audited)
<i>Issued and fully paid:</i> 18,839,594,230 ordinary shares of HK\$0.025 each (2020: 18,861,499,230 ordinary shares of HK\$0.025 each)	<b><u>415,440</u></b>	<b><u>415,895</u></b>

## CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company had complied with all the Code Provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules for the year ended 31 December, 2021, except for the deviation from Code Provisions E.1.2 and A.6.7 in relation to attendance of the annual general meeting of the Company (the “AGM”) by the chairwoman of the Board and Independent Non-executive Directors (“INEDs”) of the Company. The chairwoman of the Board and three INEDs were unable to attend the AGM held on 7 June, 2021 due to other business engagements.

## INDEPENDENT NON-EXECUTIVE DIRECTORS, AUDIT COMMITTEE AND REVIEW OF RESULTS

The Company has complied with Rules 3.10 and 3.10(A) of the Listing Rules and has appointed sufficient number of INEDs including two with appropriate professional qualifications, or accounting or related financial management expertise. The Audit Committee is comprised of five INEDs. It has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the audited consolidated financial statements of the Company for the year ended 31 December, 2021.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December, 2021, the Company bought back 24,905,000 Shares on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) at an aggregate consideration of approximately HK\$152 million before expenses. The bought back Shares were subsequently cancelled. Further details are set out as follows:

Month	Number of Shares bought back	Purchase consideration per Share		Consideration paid HK\$
		Highest HK\$	Lowest HK\$	
July	12,105,000	6.60	6.27	78,366,000
October	9,800,000	5.96	5.78	57,677,000
December	3,000,000	5.32	5.32	15,960,000

Pursuant to the rules of the 2018 Share Award Scheme, the trustee of the scheme purchased on the Stock Exchange a total of 44,950,000 Shares at a total consideration of approximately HK\$247,523,000 during 2021.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the year.

## FORWARD LOOKING STATEMENTS

Certain statements contained in this announcement may be viewed as “forward-looking statements” with respect to the business outlook, financial performance estimates, and business operations forecast of the Group. These forward-looking statements are based on the current beliefs, assumptions, and expectations of and the information currently available to the Board and the Company, and therefore involve risks and uncertainties. Actual outcome may differ materially from the forecasts and expectations in such forward-looking statements. The Company assume no obligation to update the forward-looking statements contained in this announcement. In light of the above risks and uncertainties, shareholders of the Company and potential investors should not place undue reliance on such statements.

By Order of the Board  
**Sino Biopharmaceutical Limited**  
**Tse, Theresa Y Y**  
*Chairwoman*

Hong Kong, 31 March, 2022

*As at the date of this announcement, the Board of the Company comprises nine Executive Directors, namely Ms. Tse, Theresa Y Y, Mr. Tse Ping, Ms. Cheng Cheung Ling, Mr. Tse, Eric S Y, Mr. Tse Hsin, Mr. Li Yi, Mr. Wang Shanchun, Mr. Tian Zhoushan and Ms. Li Mingqin and five Independent Non-Executive Directors, namely Mr. Lu Zhengfei, Mr. Li Dakui, Ms. Lu Hong, Mr. Zhang Lu Fu and Dr. Li Kwok Tung Donald.*