CHINA PIONEER PHARMA HOLDINGS LIMITED
中国先锋医药控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01345)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS

- Revenue of the Group increased by 7.7% to RMB1,434.8 million in 2021 from RMB1,332.0 million in 2020.
- Gross profit of the Group increased by 27.0% to RMB772.0 million in 2021 from RMB608.0 million in 2020.
- Net profit of the Group increased by 173.5% to RMB140.8 million in 2021 from RMB51.5 million in 2020.
- Basic earnings per share of the Company was RMB0.12 in 2021, which represents a 200% increase compared to RMB0.04 in 2020.

RESULT

The board (the "**Board**") of directors (the "**Directors**") of China Pioneer Pharma Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2021 (the "**Reporting Period**") together with the comparative figures for the year ended 31 December 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	**2021** *RMB'000*	2020 *RMB'000*
Revenue		**1,434,820**	1,332,037
Cost of sales	*3*	**(662,791)**	(724,071)
Gross profit		**772,029**	607,966
Other income	*4*	**13,875**	18,736
Other gains and losses	*5*	**(2,004)**	15,487
Impairment losses under expected credit loss model, net of reversal		**4,945**	(23,492)
Distribution and selling expenses		**(517,203)**	(443,739)
Administrative expenses		**(72,327)**	(65,463)
Finance costs	*6*	**(932)**	(1,093)
Share of results of associates		**3,064**	(13,060)
Profit before tax		**201,447**	95,342
Income tax expense	*7*	**(60,629)**	(43,852)
Profit for the year	*8*	**140,818**	51,490
Other comprehensive income (expense):			
Item that will not be reclassified to profit or loss:			
– Fair value gain (loss) on investments in equity instruments at fair value through other comprehensive income ("**FVTOCI**"), net of income tax		**6,275**	(53,406)
Items that may be reclassified subsequently to profit or loss:			
– Exchange difference on translation of a foreign operation		**1,221**	(6,402)
– Share of exchange difference of associates		**(11,355)**	(4,305)
Other comprehensive income (expense) for the year		**(3,859)**	(64,113)
Total comprehensive income (expense) for the year		**136,959**	(12,623)
Profit (loss) for the year attributable to:			
Owners of the Company		**142,633**	52,448
Non-controlling interests		**(1,815)**	(958)
		140,818	51,490
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**138,774**	(11,665)
Non-controlling interests		**(1,815)**	(958)
		136,959	(12,623)
		RMB yuan	*RMB yuan*
Earnings per share			
Basic	*9*	**0.12**	0.04

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2021

	Notes	**2021** **RMB'000**	2020 RMB'000
Non-current Assets			
Property, plant and equipment		**83,708**	73,452
Right-of-use assets		**7,393**	7,393
Intangible assets		**45,923**	47,031
Interests in associates		**89,465**	36,213
Equity instruments at FVTOCI	*11*	**60,300**	101,530
Deposits paid for acquisition of property, plant and equipment and intangible assets		**16,588**	16,161
Deferred tax assets		**11,958**	19,524
		315,335	301,304
Current Assets			
Inventories	*12*	**294,947**	448,730
Finance lease receivables		**–**	3,322
Trade and other receivables	*13*	**306,260**	367,686
Amounts due from related parties		**75**	43,073
Financial assets at fair value through profit or loss ("**FVTPL**")	*14*	**177,230**	139,600
Tax recoverable		**3,205**	1,644
Pledged bank deposits		**6,574**	8,074
Bank balances and cash		**224,851**	115,009
		1,013,142	1,127,138
Current Liabilities			
Trade and other payables	*15*	**297,051**	430,361
Amount due to a related party		**2,033**	–
Tax liabilities		**24,609**	30,181
Bank borrowings	*16*	**13,866**	15,097
Contract liabilities		**10,523**	8,817
Lease liabilities		**113**	7
		348,195	484,463
Net Current Assets		**664,947**	642,675
Total Assets less Current Liabilities		**980,282**	943,979

	2021	2020
	RMB'000	*RMB'000*
Capital and Reserves		
Share capital	**77,566**	77,566
Reserves	**830,404**	831,868
Equity attributable to owners of the Company	**907,970**	909,434
Non-controlling interests	**3,016**	2,281
Total Equity	**910,986**	911,715
Non-current liabilities		
Deferred tax liabilities	**25,625**	12,853
Lease liabilities	**71**	–
Deferred income	**43,600**	19,411
	69,296	32,264
	980,282	943,979

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1. GENERAL

The Company is incorporated as an exempted company with limited liability in the Cayman Islands on 5 February 2013. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited since 5 November 2013. The registered office of the Company is at 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands and the principal place of business of the Company is at No. 15, Lane 88 Wuwei Road, Putuo District, Shanghai, the PRC. The Company's immediate and ultimate holding company is Pioneer Pharma (BVI) Co., Ltd. and Tian Tian Limited, respectively. Both companies are incorporated in the British Virgin Islands and are controlled by Mr. Li Xinzhou ("**Mr. Li**") and Ms. Wu Qian, the spouse of Mr. Li.

The Company is an investment holding company. The principal activities of the Group are the marketing, promotion and sale of pharmaceutical products, medical devices and personal protective materials.

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is also the functional currency of the Company.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effect for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("**IASB**") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "**Committee**") of the IASB issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

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

Impacts on application of the agenda decision of the Committee – Cost necessary to sell inventories (IAS 2 Inventories)

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group's accounting policy prior to the Committee's agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee's agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other cost necessary to sell inventories. The new accounting policy has been applied retrospectively.

The application of the Committee's agenda decision has had no material impact on the Group's financial positions and performance.

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17	Insurance Contracts and the related Amendments[3]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[1]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to IAS 8	Definition of Accounting Estimates[3]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transactions[3]
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to IFRSs	Annual Improvements to IFRSs 2018–2020[2]

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

Except for the new and amendments to IFRSs mentioned below, the directors of the Company (the "**Directors**") anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to IFRS 3 Reference to the Conceptual Framework

The amendments:

- update a reference in IFRS 3 *Business Combinations* so that it refers to the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the "**Conceptual Framework**") instead of *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting 2010* issued in October 2010);

- add a requirement that, for transactions and other events within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* ("**IAS 37**"), an acquirer applies IAS 37 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to IAS 1 Classification of Liabilities as Current or Non-current

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 *Financial Instruments: Presentation*.

Based on the Group's outstanding liabilities as at 31 December 2021, the application of the amendments will not result in reclassification of the Group's liabilities.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising from sales of pharmaceutical products, medical devices and personal protective materials in the PRC, the United States, Europe and Australia. An analysis of the Group's revenue by category is as follows:

	2021	2020
	RMB'000	*RMB'000*
Sales of pharmaceutical products	**1,247,638**	1,097,794
Sales of medical devices	**187,182**	166,010
Sales of personal protective materials	**–**	68,233
	1,434,820	1,332,037

Revenue from sales of pharmaceutical products, medical devices and personal protective materials is recognised at a point of time when the customer obtains control of the distinct goods upon acceptance by customers.

The advance from customer received by the Group is recognised as a contract liability until the customer obtains control of the distinct goods.

All contracts from sales of pharmaceutical products, medical devices and personal protective materials are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Information reported to the executive directors, being the chief operating decision maker ("**CODM**") for the purpose of resource allocation and assessment of segment performance focuses on types of goods delivered. The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit earned by (loss from) each segment without allocation of central administrative expenses, certain distribution and selling expenses, finance costs, certain impairment losses under expected credit loss model, net of reversal, other income and other gains and losses.

Specifically, the Group's reportable and operating segments under IFRS 8 are as follows:

(a) Ophthalmic pharmaceutical products – sales of the Group's ophthalmic pharmaceutical products to the customers under the channel management arrangement ("**Products sold via the provision of channel management services**"). Products sold via the provision of channel management services related solely to sale arrangements with Alcon.

(b) Sales of all of the Group's pharmaceutical products and medical devices except for ophthalmic pharmaceutical products to the customers under the comprehensive marketing, promotion and channel management arrangement ("**Products sold via the provision of comprehensive marketing, promotion and channel management services**").

(c) Different from the sales of "Products sold via the provision of channel management services" and "Products sold via the provision of comprehensive marketing, promotion and channel management services" of which the products are meant to be sold in the PRC, the Group's personal protective materials products are mainly focusing on the export market ("**Sales of personal protective materials**"). Sales of personal protective materials include masks, protective gloves and protective suits, which are mainly exported to Europe, the United States and Australia.

The CODM makes decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Segment revenues and results

The following is an analysis of the Group's revenue and results by operating and reportable segment:

For the year ended 31 December 2021

	Products sold via the provision of comprehensive marketing, promotion and channel management services *RMB'000*	**Products sold via the provision of channel management services** *RMB'000*	**Sales of personal protective materials** *RMB'000*	**Consolidated** *RMB'000*
Segment revenue	**1,178,262**	**256,558**	**–**	**1,434,820**
Segment result	**756,841**	**19,928**	**(4,740)**	**772,029**
Other income				**13,875**
Other gains and losses				**(2,004)**
Unallocated impairment losses under expected credit loss model, net of reversal				**4,945**
Unallocated distribution and selling expenses				**(517,203)**
Administrative expenses				**(72,327)**
Finance costs				**(932)**
Share of results of associates				**3,064**
Profit before tax				**201,447**

For the year ended 31 December 2020

	Products sold via the provision of comprehensive marketing, promotion and channel management services *RMB'000*	Products sold via the provision of channel management services *RMB'000*	Sales of personal protective materials *RMB'000*	Consolidated *RMB'000*
Segment revenue	981,556	282,248	68,233	1,332,037
Segment result	612,096	8,287	(47,232)	573,151
Other income				18,736
Other gains and losses				15,487
Unallocated impairment losses under expected credit loss model, net of reversal				(7,411)
Unallocated distribution and selling expenses				(425,005)
Administrative expenses				(65,463)
Finance costs				(1,093)
Share of results of associates				(13,060)
Profit before tax				95,342

Disaggregation of revenue from contracts with customers by major products

	2021	2020
	RMB'000	*RMB'000*
Products sold via the provision of channel management services:		
Alcon	**256,558**	282,248
Products sold via the provision of comprehensive marketing, promotion and channel management services:		
Fluxum	**465,865**	379,960
Difene	**215,143**	191,559
Neoton	**50,905**	63,139
Polimod	**74,646**	75,763
Macmiror complex	**56,686**	49,139
Vinpocetine API	**6,983**	6,370
FLEET Phospho-Soda	**16,307**	13,717
Zanidip	**102,366**	23,239
Other	**2,179**	12,660
Pharmaceutical products	**991,080**	815,546
Medical equipments and supplies	**187,182**	166,010
	1,178,262	981,556
Sales of personal protective materials	**–**	68,233
	1,434,820	1,332,037

Geographical information

The Group principally operates in the PRC (country of domicile of major operating subsidiaries). 63% (2020: 80%) of non-current assets excluding equity instruments at FVTOCI and deferred tax assets, are located in the PRC, and the remaining 37% (2020: 20%) are located in the United States and Republic of Korea in relation to the interests in associates. Over 99% (2020: 95%) of the Group's revenue from external customers is attributed to the group entities' countries of domicile (i.e. the PRC) and the remaining 1% (2020: 5%) is contributed from customers mainly located in United States, Europe and Australia.

Information about major customers

No individual customer of the Group contributed 10% or more of the Group's revenue for both years.

4. OTHER INCOME

	2021	2020
	RMB'000	*RMB'000*
Government grants *(Note)*	**6,185**	8,381
Dividends received from an equity instrument at FVTOCI	**2,500**	–
Service income	**1,341**	2,442
Interest income on bank deposits	**1,140**	934
Interest income on amount due from a related party	**1,116**	3,203
Interest income on finance leases	**186**	2,670
Interest income on loan to an associate	**–**	633
Others	**1,407**	473
	13,875	18,736

Note: It represented cash received from unconditional grants by the local government to encourage the business operations in the PRC. Government grants are recognised in profit or loss when received.

5. OTHER GAINS AND LOSSES

	2021	2020
	RMB'000	*RMB'000*
Net foreign exchange (losses) gains	**(3,026)**	8,526
Gain (loss) on disposal of property, plant and equipment	**37**	(306)
Loss on disposal of intangible assets	**–**	(5,763)
Gain on fair value change of financial assets at FVTPL	**7,072**	3,209
Loss on dilution on interest in an associate	**(2,800)**	(9,779)
(Impairment losses) reversal of impairment loss on interests in associates, net	**(3,287)**	19,597
Gain on early termination of leases	**–**	3
	(2,004)	15,487

6. FINANCE COSTS

	2021	2020
	RMB'000	*RMB'000*
Interest on bank borrowings	**927**	1,088
Interest on lease liabilities	**5**	5
	932	1,093

7. INCOME TAX EXPENSE

	2021	2020
	RMB'000	*RMB'000*
Current tax		
PRC Enterprise Income Tax ("**EIT**")	**39,317**	31,261
Hong Kong Profits Tax	**311**	2,463
PRC withholding tax on dividends distributed by subsidiaries	**9,000**	13,000
	48,628	46,724
(Over) under-provision in prior years		
PRC Enterprise Income Tax	**1,002**	3,411
Hong Kong Profits Tax	**(2,614)**	–
	(1,612)	3,411
Deferred tax		
Current year	**13,613**	(6,283)
	60,629	43,852

The Company is tax exempted under the laws of the Cayman Islands. Pioneer Pharma (Hong Kong) Co., Limited is incorporated in Hong Kong. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% except for those described below.

According to Circular Zangzhengfa 2011 No. 14, enterprises located in Tibet are subject to a reduced EIT rate of 15% for the period from 2011 to 2020. Moreover, according to Circular Zangzhengfa 2008 No. 62 and Zangzhengbanfa 2011 No. 52, enterprises that are located in Naqu Logistics Center, Tibet and engaged in specific encouraged industries enjoy a 40% exemption of the EIT for a period from 8 to 10 years. As approved by the in-charge tax bureau, Naqu Area Pioneer Pharma Co., Ltd ("**Naqu Pioneer**"), which is located in Naqu, Tibet, is subject to a reduced EIT rate of 9% from 2010 to 2019. According to Circular 2020 No. 23 of the Ministry of Finance, the period of reduced EIT rate of 15% for enterprises located in Tibet has extended to 31 December 2030. Starting from 1 January 2020, EIT for Tibet is 15%.

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2021	2020
	RMB'000	*RMB'000*
Profit before tax	**201,447**	95,342
Tax at the applicable income tax rate of 25%	**50,362**	23,836
Tax effect of expenses not deductible for tax purpose	**4,965**	12,909
Tax effect of income not taxable for tax purpose	**(766)**	(5,069)
Tax effect of tax losses not recognised	**2,840**	1,633
Tax effect of concessionary tax rate	**(4,160)**	(6,468)
(Over) under-provision in prior year	**(1,612)**	3,411
PRC withholding tax on dividends distributed by subsidiaries	**1,000**	5,600
Deferred tax liabilities arising on undistributed profit of the PRC subsidiaries	**8,000**	8,000
	60,629	43,852

8. PROFIT FOR THE YEAR

	2021	2020
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging (crediting):		
Directors' remuneration	**2,814**	2,895
Other staff's retirement benefits scheme contributions	**9,246**	5,046
Other staff costs	**54,419**	44,749
Total staff costs	**66,479**	52,690
Auditor's remuneration	**1,660**	1,691
(Reversal of write-down) write-down of inventories	**(6,370)**	28,909
Depreciation for property, plant and equipment	**5,218**	5,855
Depreciation of right-of-use assets	**219**	260
Amortisation of intangible assets	**7,510**	2,236
Cost of inventories recognised as an expense	**662,791**	724,071

9. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	2021	2020
Earnings:		
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to owners of the Company)	**RMB142,633,000**	RMB52,448,000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,202,978,734**	1,210,673,809

For the years ended 31 December 2021 and 2020, the weighted average number of ordinary shares for the purpose of calculating basic earnings per share has taken into account the ordinary shares purchased by the Trustee from the market pursuant to the Scheme and the ordinary shares repurchased and cancelled by the Company.

No diluted earnings per share for both 2021 and 2020 were presented as there were no potential ordinary shares in issue for both 2021 and 2020.

10. DIVIDENDS

	2021	2020
	RMB'000	*RMB'000*
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2021 Interim – RMB0.047 (2020: RMB0.064) per share	**50,190**	73,165
2020 Final – RMB0.063 (2019: RMB0.032) per share	**79,712**	38,710
2020 Special – Nil (2019: RMB0.086)	**–**	105,784
	129,902	217,659

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2021 of HK$0.064 per share (2020: a final dividend in respect of the year ended 31 December 2020 of HK$0.075 per share), in an aggregate amount of approximately HK$80,484,000 (2020: HK$94,512,000), has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

11. EQUITY INSTRUMENTS AT FVTOCI

	2021	2020
	RMB'000	*RMB'000*
Listed investment:		
– Equity securities listed in Australia *(Note a)*	**–**	67,630
Unlisted investments:		
– Equity securities A *(Note b)*	**50,300**	33,900
– Equity securities B *(Note c)*	**10,000**	–
	60,300	101,530

Notes:

a) As of 31 December 2020, the listed equity investment represented 17.7% ordinary shares of an entity listed in Australian Securities Exchange, Paragon. This investment was not held for trading, instead, it was held for long-term strategic purpose. The Group waived its ability to nominate a director to the board of Paragon from 20 November 2018 to 31 December 2020. Thus, it was not considered as an associate of the Group as at 31 December 2020. The Directors had elected to designate this investment in equity instrument at FVTOCI as they believed that recognising short-term fluctuations in this investment's fair value in profit or loss would be inconsistent with the Group's strategy of holding this investment for long-term purpose and realising its performance potential in the long run.

   Starting from 1 January 2021, the Group has resumed the ability to nominate a director to the board of Paragon and accordingly, the equity investment in Paragon is considered as an associate of the Group from 1 January 2021 as the Group has significant influence over Paragon.

b) The amount represent the investment in Shanghai Yuhan fund (上海譽瀚股權投資基金合夥企業(有限合夥), the "**Fund**"), which is incorporated in the PRC. The Fund specialises in making equity investment in various targets within the pharmaceutical industry. As at 31 December 2021 and 31 December 2020, the Fund received contributions from shareholders of approximate RMB204 million (2020: RMB250 million), among which the Group injected approximate RMB23.4 million (2020: RMB20 million) which accounted for 10% (2020: 8%) of the equity interest of the Fund. The Fund represents an investment in unlisted private entities and structured bank deposits. The Directors have elected to designate this investment in equity instrument at FVTOCI as they believe that recognising short-term fluctuations in this investment's fair value in profit or loss would be inconsistent with the Group's strategy of holding this investment for long-term purpose and realising its performance potential in the long run.

c) The amount represent an investment in Jiaxing Yuhan fund (嘉興譽瀚股權投資合夥企業(有限合夥), the "**Jiaxing Fund**"), which is incorporated in the PRC. The Jiaxing Fund specialises in making equity investments in various targets within the pharmaceutical industry. As at 31 December 2021, the Jiaxing Fund received contributions from shareholders of approximate RMB151 million, among which the Group injected approximate RMB10 million which accounted for 6.62% of the equity interest of the Jiaxing Fund. The Jiaxing Fund represents an investment in unlisted private entities and structured deposits. The Directors have elected to designate this investment in equity instrument at FVTOCI as they believe that recognising short-term fluctuations in this investment's fair value in profit or loss would be inconsistent with the Group's strategy of holding this investment for long-term purpose and realising its performance potential in the long run.

12. INVENTORIES

All inventories represented finished goods of pharmaceutical products and medical devices. As at 31 December 2021, inventories included goods in transit of RMB57,715,000 (2020: RMB35,648,000).

During the year, a reversal of write-down of inventories of RMB6,370,000 (2020: a write-down of inventories of RMB28,909,000) has been recognised by the Group for the inventories that are subsequently sold out and included in cost of sales (2020: due to the drop in market price of personal protective materials).

13. TRADE AND OTHER RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**272,084**	314,816
Less: Allowance for credit losses	**(20,244)**	(31,474)
	251,840	283,342
Other receivables, prepayments and deposits	**20,190**	23,803
	272,030	307,145
Advance payment to suppliers	**10,129**	19,349
Advance payment to related parties	**4,360**	5,023
Other tax recoverable	**19,741**	36,169
Total trade and other receivables	**306,260**	367,686

In relation to the sales of pharmaceutical products, the Group allows a credit period from 30 days to 180 days to its trade customers.

For sales of medical devices, the Group allows the contract sums to be settled by instalments over a general period of 12 months to 36 months as stated in contracts are included in trade receivables.

For sale of personal protective materials, the Group allows a credit period from 30 days to 45 days to its trade customers.

The following is an aging analysis of trade receivables net of allowance for credit losses, presented based on invoice date at respective reporting dates, which approximated the respective revenue recognition dates:

	2021	2020
	RMB'000	*RMB'000*
0 to 60 days	**185,363**	175,608
61 days to 180 days	**38,252**	87,018
181 days to 1 year	**26,513**	16,930
1 year to 2 years	**1,712**	3,786
	251,840	283,342

As at 31 December 2021, total bills received amounting to RMB32,434,000 (31 December 2020: RMB36,911,000) are held by the Group for future settlement of trade receivables. The Group continues to recognise their full carrying amounts at the end of the reporting period. All bills received by the Group are with a maturity period of less than one year.

As at 31 December 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB31,822,000 (2020: RMB73,114,000) which are past due as at the reporting date. Out of the past due balances, RMB21,373,000 (2020: RMB16,299,000) has been past due 90 days or more and is not considered as in default because there had not been significant change in credit quality and the amounts are still considered recoverable. Other than bills received amounting to RMB32,434,000 (2020: RMB36,911,000), the Group does not hold any collateral over these balances.

14. FINANCIAL ASSETS AT FVTPL

	2021	2020
	RMB'000	*RMB'000*
Unlisted investments:		
– Structured bank deposits	**177,230**	139,600

During the year ended 31 December 2021, the Group entered into several contracts of structured deposits with various banks in the PRC. The structured bank deposits earn minimum return of 0.8% to 3.1% per annum (31 December 2020: 1.1% to 3.2% per annum), while the total expected return is up to 3.25% to 4.0% per annum (31 December 2020: 3.3% to 4.75% per annum). The contracts are with maturity on or before 30 March 2022 or are redeemable on demand (2020: on or before 30 March 2021 or are redeemable on demand).

15. TRADE AND OTHER PAYABLES

	2021	2020
	RMB'000	*RMB'000*
Trade payables	**259,964**	360,718
Payroll and welfare payables	**3,900**	3,849
Other tax payables	**292**	1,626
Marketing service fee payables	**10,294**	19,529
Deposits received from distributors	**13,106**	26,536
Other payables and accrued charges	**9,495**	18,103
	297,051	430,361

The Group typically receives credit periods on its purchases of goods from 30 days to 180 days.

The following is an aging analysis of trade payables presented based on the delivery date at the end of the reporting dates:

	2021	2020
	RMB'000	*RMB'000*
0 to 90 days	**234,572**	245,778
91 days to 180 days	**24,740**	94,280
181 days to 365 days	**652**	20,660
	259,964	360,718

16. BANK BORROWINGS

	2021	2020
	RMB'000	*RMB'000*
Carrying amount of bank borrowings repayable within one year and shown under current portion	**13,866**	15,097
Analysed as:		
Secured	**13,866**	15,097

The borrowings had been secured by the pledge of the Group's assets and the carrying amounts of the respective assets are as follows:

	2021	2020
	RMB'000	*RMB'000*
Pledge of assets		
Pledged bank deposits for letter of credit	**6,574**	8,074
Equity instrument at FVTOCI for bank borrowing	**–**	57,086
Interest in an associate	**67,600**	–
	74,174	65,160

The effective interest rate on the Group's fixed rate borrowings are ranging from 2.71% to 3.55% per annum (2020: the fixed rate borrowings are ranging from 2.71% to 3.55% per annum).

The borrowings are denominated in AUD which is the functional currency of the relevant group entity.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL REVIEW

In 2021, while the COVID-19 still has a negative impact on the economic development of the world, as the epidemic prevention measures continue to advance in mainland China, the outbreak has gained stable control on the whole, and the whole economic development of mainland China was restored after the outbreak. With the recovery of the economics, the breadth and depth of China's healthcare reform are also being adjusted and deepened. Looking back on the overall situation of the industry, although the incremental improvement of the National Medical Security Administration system and the policy of medical insurance cost control still put pressure on drug prices in tender processes, the demand in the industry remains huge and is increasing at a steady pace against the backdrop of consumption upgrade and the acceleration of population aging, and the industry is still on a rise. However, it should also be noted that changes in domestic and overseas policies have brought many uncertainties to the entire industry.

Specifically for the Group, the government's support and preferential policies on innovative drugs and medical devices such as optimization of the approval process and accreditation of international clinical trial data, will help to expand the range of products for the Group's selection. Along with the more refined and structured measures of medical insurance cost control, drugs and medical devices conforming to the values of medical insurance and increasing the efficiency of medical insurance funds application, will compete favourably in the market. The Group will leverage on its advantages in product quality and brand image, and strengthen its academic promotion, in addition to constantly through the agency of new subdivision of specialized fields of products, as well as the production base in Rongchang, Chongqing to expand the group business into the field of medical device production. The group believes that only through continuous expansion in the above aspects that we can gain development opportunities in the changing and challenging environment.

For the Reporting Period, the Group's revenue increased by 7.7% year-on-year to RMB1,434.8 million (2020: RMB1,332.0 million), gross profit increased by 27.0% year-on-year to RMB772.0 million (2020: RMB608.0 million) and net profit for the year increased by 173.5% year-on-year to RMB140.8 million (2020: RMB51.5 million).

For the Reporting Period, the Group's revenue generated from pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services increased by 21.5% compared to last year to RMB991.1 million, representing 69.1% of the Group's revenue for the Reporting Period. Gross profit increased by 22.0% compared to last year to RMB656.6 million, representing 85.1% of the Group's gross profit for the Reporting Period.

For the Reporting Period, the Group's revenue generated from medical devices sold via the provision of comprehensive marketing, promotion and channel management services increased by 12.8% compared to last year to RMB187.2 million, representing 13.0% of the Group's revenue for the Reporting Period. Gross profit increased by 35.4% compared to last year to RMB100.2 million, representing 13.0% of the Group's gross profit for the Reporting Period.

For the Reporting Period, the Group's revenue generated from Alcon's Products sold via the provision of co-promotion and channel management services decreased by 9.1% compared to last year to RMB256.6 million, representing 17.9% of the Group's revenue for the Reporting Period. Gross profit increased by 140.5% compared to last year to RMB19.9 million, representing 2.6% of the Group's gross profit for the Reporting Period.

1. Product Development

As of 31 December 2021, the Group had a product portfolio of pharmaceutical products (mostly being prescription products) covering ophthalmology, pain management, cardiovascular, immunology, gynecology, gastroenterology and other therapeutic areas; and medical devices covering several medical specialties including ophthalmology, orthopedics, odontology and wound care products.

1.1 Products Sold via the Provision of Comprehensive Marketing, Promotion and Channel Management Services

Category	**2021** ***RMB'000***	**Percentage of the Group's total revenue/ gross profit** ***(%)***	2020 *RMB'000*	Percentage of the Group's total revenue/ gross profit *(%)*
Revenue:				
Pharmaceutical Products	991,080	69.1	815,546	61.2
Medical Devices	187,182	13.0	166,010	12.5
Gross Profit:				
Pharmaceutical Products	656,634	85.1	538,093	88.5
Medical Devices	100,207	13.0	74,003	12.2

During the Reporting Period, as a result of many factors such as the trend towards refined medical insurance cost control, the increasingly stringent management of drug's clinical pathway and the control of the percentage of drug sales in total revenue of public medical institutions, although drug prices reduction in tender processes and drug consumption limitations in medical institutions have continued, the trend towards structural differentiation for clinical use of drugs became more obvious. By virtue of the product's quality advantage and definite curative effect, the Group reasonably implements the promotion strategy to ensure the stable market layout of the products. At the same time, the Group takes advantage of the overall stable economic development trend in mainland China after the control of the COVID-19 epidemic to increase the sales of products by strengthening market promotion and expanding market coverage. During the Reporting Period, revenue generated from this segment slightly increased by 21.5% compared to last year to RMB991.1 million, representing 69.1% of the Group's revenue for the Reporting Period. Gross profit increased by 22.0% compared to last year to RMB656.6 million, representing 85.1% of the Group's gross profit for the Reporting Period.

For the Reporting Period, the Group's revenue generated from the sales of Difene was RMB215.1 million, representing an increase of 12.3% compared to last year. As one of the best-selling products of the Group, Difene is crucial to ensure the steady growth of the group's revenue. Through proactively organizing and participating in various academic conferences, the Group seized the opportunities for increasing brand publicity, and refined its strategy of academic promotion, so as to expand market coverage through accelerating its penetration into more hospitals and small-sized medical institutions, as well as increasing the sales of Difene at each target hospital. With the constant expansion of the coverage of medical institutions the superior quality of Difene has gained recognition from more doctors and patients, and the brand recognition of the products has also been further strengthened, which has effectively alleviated the adverse impact of COVID-19 on the sales of Difene. The Group has newly established the broad market division which is expected to significantly increase the coverage of primary medical institutions in the future, and the sales volume of Difene will continue to grow. Difene is the sole dosage product of its type in the market and comes in 10-pack, 14-pack and 20-pack packaging specifications. In the past, revenue from Difene mainly originated from sales of the 10-pack specification. The newly launched 14-pack is expected to replace the 10-pack as the new growth point of the market sales of Difene. Compared with the 10-pack, the 14-pack has the advantages of more consistent with the prescription habits of clinicians and more scientific from the perspective of treatment cycle. Benefiting from the Group's overall layout in the past year, as well as the official execution of new tender results in more provinces, 14-pack specification has become a significant supplement to the market, achieving an increasing contribution to the Group's revenue. Through increased marketing activities, such as education programmes for doctors and patients on the product, the Group will further expand the market influence of the reference medicinal products, so as to manifest their market competitiveness and consistent good quality.

For the Reporting Period, the Group's revenue generated from sales of Fluxum was RMB465.9 million, representing an increase of 22.6% compared to last year. As one of the Group's best-selling products leveraging the advantages in the product's quality, sound market layout and sensible promotion strategy Fluxum has maintained rapid growth over the past few years. The Group constantly expanded Fluxum's brand recognition through in-depth exploration on the characteristics of product differentiation, strict implementation of the strategy of professional academic promotion, as well as actively expanding and deepening the network of clinical experts so that the sales revenue has completed a positive growth. Fluxum was listed as an imported low molecular weight heparin product in the new national drug reimbursement catalogue. Accordingly, to fully capture this opportunity for market expansion, the Group has entered into a number of new markets through sensible bidding strategies, and continuously increased its market share by closely following and effectively participating in clinical promotions. Furthermore, with more doctors from the relevant departments paying attention to the prevention of venous thrombosis, Fluxum not only continued to maintain its brand advantage in the field of traditional surgery, but also extended the scope of its application to other hospital departments, such as oncology, gynaecology and obstetrics. Due to its leading market position among similar products and more improved market layout, as well as the increasing awareness of anticoagulation in more hospitals and departments, the Group believes that Fluxum has a solid foundation for long-term growth.

For the Reporting Period, the Group's revenue generated from sales of Polimod was RMB74.6 million, representing a decrease of 1.5% compared to last year. Polimod is the originator of pidotimod. It is a synthetic oral immune stimulant that works by stimulating and regulating cell-mediated immune response, and is applied to patients with immune dysfunction, such as respiratory tract infections, otolaryngology infections urinary tract infections and gynaecological infections. The Group's rights to market, promote and sell Polimod were extended from eight provinces to the whole territory of China in March 2016, thereby improving the market potential of the product significantly. At the beginning of 2018, as the trial data on their safety and effectiveness were out-dated, all the pidotimod products sold in China were challenged by certain we-media, causing confusion to the physicians and patients. Later on, the China Food and Drug Administration ("**CFDA**") required the revision of drug instructions of all the pidotimod products, to identify that it could be used for chronic or recurrent respiratory tract infections and urinary tract infections of children over three years old. CFDA also required that the clinical trial of effectiveness for the Pidotimod products should be completed within three years. The sales of Polimod in certain areas, especially in markets where physicians and patients are not very familiar with the product, decreased significantly due to the impact of this event. In response, the Group has taken a number of measures, such as inviting medical experts from the product's supplier to explain to them, in detail, the mechanism and proof of evidence-based medicine of Polimod in China, as well as cooperating with marketing partners in delivering product information to physicians in a professional manner. Moreover, the supplier of the product has reported the plan of clinical trial of its effectiveness to CFDA, and related work on the trial is progressing in an orderly manner. After a long time to build the brand, the Polimod in the same product decline is the lowest. Based on thousands of clinical research data of Polimod before and after it was launched in the market, the Group firmly believes that with the advancement of clinical effectiveness trial and the diminished impact of the COVID-19, Polimod will eliminate the concerns of physicians and patients with scientific data and return to the track of rapid development.

The business segment of other drugs of the Group also got rid of the adverse impact of the COVID-19 epidemic and maintained a good development trend compared with the past year. For the Reporting Period, the Group's revenue generated from sales of these products was RMB235.4 million, representing an increase of 39.9% compared to last year.

For the Reporting Period, the Group's revenue generated from medical devices sold via the provision of comprehensive marketing, promotion and channel management services increased by 12.8% compared to last year to RMB187.2 million, representing 13% of the Group's revenue for the Reporting Period. Gross profit increased by 35.4% compared to last year to RMB100.2 million, representing 13% of the Group's gross profit for the Reporting Period. Based on the features of its products, the Group organized its promotion strategy carefully, and accelerated the marketing campaigns of products launched for a shorter time, so as to lay the foundation for the future business development of medical device sector. Specifically, during the Reporting Period, the sales of ophthalmic surgical equipment and consumables and dental equipment and consumables still achieved solid growth. Moreover, under the influence of favorable factors such as the tightening of category III medical device registration in China, and the increase of medical insurance in some provinces, the sales of NeutroPhase (a wound cleanser) has also appeared a rapid growth trend following the adjustment of promotion direction and strategies. The Group will gradually enhance the market position of medical devices products, strengthen its promotion activities, and improve the contribution of this business segment to the Group's revenue.

1.2 Products Sold via the Provision of Co-Promotion and Channel Management Services

Category	**2021**	**Percentage of the Group's total revenue/ gross profit**	2020	Percentage of the Group's total revenue/ gross profit
	RMB'000	*(%)*	*RMB'000*	*(%)*
Revenue:				
Alcon series ophthalmic pharmaceutical products	256,558	17.9	282,248	21.2
Gross Profit:				
Alcon series ophthalmic pharmaceutical products	19,928	2.6	8,287	1.4

A new agreement was entered into between the Group and Alcon on 1 January 2022, pursuant to which the Group was exclusively entitled to the import, storage, distribution and sale of 10 specifications in 8 types of Alcon's pharmaceutical products. This agreement runs for a term of 3 years from 1 January 2022.

For the Reporting Period, the Group's revenue generated from this segment decreased by 9.1% compared to last year to RMB256.6 million, representing 17.9% of the Group's revenue for the Reporting Period. Gross profit increased by 140.5% compared to last year to RMB19.9 million, representing 2.6% of the Group's gross profit for the Reporting Period.

1.3 Product Pipeline

The Group is dedicated to exploring opportunities for distributing, promoting and selling prospective products of overseas pharmaceutical and medical device companies. In addition to existing products referred to above, product pipeline development is also at the core of the Group's strategy of expanding and optimizing its product portfolio. The Group's aim is to build up a product pipeline that will sustain the Group's long-term growth. When selecting prospective product candidates, the Group takes into consideration factors such as clinical effectiveness, competitive environment, product registration and regulatory regime and reputation of suppliers.

In accordance with the requirement of "Reform Opinions on Deepening the Review and Approval System and Encouraging the Innovation of Medical Products" issued by General Office of the State Council, several reform measures in respect of Chinese pharmaceuticals and medical devices approval policies were pushed forward. In particular, the optimization of clinical trial review and approval procedures, as well as the acceptance of overseas clinical trial data, will result in accelerating the launched process in China for overseas high-quality pharmaceuticals and medical devices. The Group proactively maintains close liaison with a number of overseas pharmaceutical and medical device companies in order to timely introduce their products with potentials or market foundations for marketing, promotion and sales.

2. Marketing Network Development

Since 2018, the "Two-Invoice System" policy has been fully implemented in all provinces of the country. As the sole importer of an overseas medical product in China, the Group is considered as the manufacturer of such imported medical product under the "Two-Invoice System". Since last year, the Group's business model has also been optimized and improved. During the Reporting Period, the Group has continually refined the network of distributors, and consolidated product distribution channels to meet the requirements of "Two-Invoice System". Meanwhile, it also helps to enhance the Group's operational efficiency and prevent operational risk.

The Group's marketing and promotion model involves both in-house teams and third-party promotion partners. To maintain the efficiency and stability of the marketing network, the Group has established an in-house sales and product manager team for each product business unit, to manage and support their third-party promotion partners. The Group's marketing and promotional activities are carried out by the in-house teams and third-party promotion partners. The in-house teams are primarily responsible for formulating marketing and promotion strategies, conducting pilot marketing programmes, and appointing, training and supervising third-party promotion partners. Third-party promotion partners are responsible for most of the day-to-day marketing and promotional activities for the Group's products.

During the Reporting Period, the Group continued to implement the operational mechanism of product business unit divided by products or product series, and conduct products' promotion and sales work. The Group has established a sales and product manager team for each product business unit, to manage and support their third-party promotion partners. In the environment of ever-changing policies and violent market competition of pharmaceutical industry, the Group constantly adjusted and optimized all components within the marketing network, with the aim of strengthening rapid market responsiveness, as well as effective and professional product promotion activities. During the Reporting Period, with the more attention paid by the Group to the academic training of the in-house marketing team, the Group strengthened the frequency and depth of the marketing activities for product academic promotion involved by the internal marketing team, so as to raise the internal core driving force for the product promotion. According to the market situation, the Group has also increased its efforts in optimizing the network structure of the third-party promotion partners, and improved the understanding and knowledge for the products of the third-party promotion partners, including providing further large-scale and normalized training, and assisting them in providing doctors with clinical solutions related to the products. Through the close collaboration between in-house teams and third-party promotion partners, the Group shared the pharmaceutical policies and market information all over the country, and improved the communication mechanism and platform with third-party promotion partners so as to improve the operation efficiency and continuously drive the Group's products development. During the Reporting Period, the development of the Group's marketing network led to significant improvement to its market coverage. For instance, number of hospitals and medical institutions using Difene has increased by 2,787, the number of hospitals using Fluxum has increased by 704. In the constantly changing pharmaceutical sector, having a well-developed and robust marketing network is fundamental to the Group's operation.

3. **Significant Investment**

The Group did not have any investment in an investee company with a value of 5% or more of the Group's total assets as at 31 December 2021.

3.1 Investment in NovaBay

NovaBay Pharmaceuticals, Inc. ("**NovaBay**") is a biopharmaceutical company incorporated in Delaware, United States, developing products for the eye care market, and currently focuses primarily on commercializing the prescription of Avenova® for managing hygiene of eyelids and lashes in the United States. Its shares are traded on the New York Stock Exchange. The Group commenced its business relationship with NovaBay in 2012 and obtained the exclusive rights to market, promote and sell NovaBay's NeutroPhase products in China and certain Southeast Asia markets in the same year.

NovaBay is now focusing primarily on commercializing the prescription of Avenova® in the United States. The investment allows the Group to enhance its business relationship with NovaBay.

The Group has made several rounds of investments in NovaBay since 2013. As of 31 December 2021, the Group held a total of 5,188,421 ordinary shares of NovaBay, representing approximately 10.86% of its equity interest. The Group did not hold any NovaBay warrants.

As of 31 December 2021, as a result of the drop in share price of NovaBay and the issue of company's strategic transformation, the Company recognised an impairment loss of RMB3.29 million in relation to its investment in NovaBay. For further information of the business and financial performance and prospects of NovaBay, please refer to the 2021 annual and quarterly reports of NovaBay published on its website.

3.2 Investment in Paragon

Paragon Care Limited ("**Paragon**") is a company incorporated in Victoria, Australia with limited liability whose shares are listed on the Australian Securities Exchange (stock code: PGC). Paragon, through its subsidiaries is principally engaged in the supply of durable medical equipment, medical devices and consumable medical products providing end to end solutions for the acute, aged and primary care markets throughout Australia and New Zealand.

As of 31 December 2021, the Group held a total of 61,747,113 ordinary shares of Paragon, representing 17.45% of the total issued shares of Paragon.

For the year ended 31 December 2021, as a result of the drop in share price of Paragon, the Company recognised a fair value loss in other comprehensive income in respect of its investment in Paragon. For further information of the business and financial performance and prospects of Paragon, please refer to the 2021 annual report of Paragon published on its website.

3.3 Investment in Pioneer Huimei

In June 2018, the Group, through a wholly-owned subsidiary, Naqu Pioneer Pharmaceutical Co., Ltd. ("**Naqu Pioneer**") established Sichuan Pioneer Huimei Biotechnology Co., Ltd. ("**Pioneer Huimei**") with Chengdu Huimei Biotechnology Co., Ltd.. Naqu Pioneer contributed RMB13.5 million to the registered capital of Pioneer Huimei, representing 75% of its entire equity interest.

Pioneer Huimei is committed to the development of biotech products and technologies, primarily focusing on medical aesthetics and healthcare industry. With the big data and artificial intelligence technology, it has been able to connect online and offline channels in order to provide consumers with integrated services. The Group believes that the investment in Pioneer Huimei is a promising attempt to make full use of modern technology and internet platforms, and is conducive to further enriching the Group's products and innovation of sales channels.

3.4 Investment in DMAX Co

In January 2020, the Group, via Pioneer Pharma (Hong Kong) Co., Limited, a subsidiary of the Company, made an investment of US$3,000,000 in DMAX Co., Ltd. ("**DMAX Co**"), a company established in the Republic of Korea ("**Korea**").

Pursuant to the subscription agreement entered into by the parties, DMAX Co shall issue and Pioneer Pharma (Hong Kong) Co., Limited shall subscribe for 8,906 shares in the capital of DMAX Co for a consideration of US$3 million. Upon the completion of the issuance, the Company, thought its subsidiary, held 25% of the issued share capital of DMAX Co, and has the right to appoint a person as a director of DMAX Co.

DMAX Co is a reputable manufacturer of zirconia products in Korea and is primarily engaged in producing zirconia-related dental products, including veneers, crowns and implants, etc. Since the Company's acting as the exclusive agent of the products of DMAX Co in China (excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan) from 2018, both parties have together dedicated themselves to the promotion of the products of DMAX Co in China. The zirconia-related dental products of DMAX Co have found popularity with its unique medical aesthetics techniques since the entry into the China market. The investment this time will further facilitate both parties to deepen cooperation and consolidate partnership in exploration of the market share of the products of DMAX Co in China.

3.5 Investment in Shanghai Yuhan fund (limited partnership) and Jiaxing Yuhan fund (limited partnership)

As of 31 December 2021, the Group's investment in Shanghai Yuhan fund (limited partnership) (上海譽瀚股權投資基金合夥企業（有限合夥）, the "**Shanghai Yuhan**") was recognized as equity instruments at FVTOCI, representing an amount of RMB50.3 million. Shanghai Yuhan, incorporated in the PRC, specializes in making equity investment in various targets within the pharmaceutical industry. As at 31 December 2021, the Group held 10% of the equity interest of Shanghai Yuhan. Shanghai Yuhan mainly engages in the investment in unlisted private entities and structured bank deposits. During the 12 months ended 31 December 2021, the Group recorded an unrealized gain RMB13.0 million of its investment in the fund, and has received entitlement distribution RMB2.5 million therefrom. The Group's investment in Jiaxing Yuhan Fund (嘉興譽瀚股權投資合夥企業（有限合夥）, "**Jiaxing Yuhan**") which amounted to RMB10 million, has been recognized as equity instrument at FVTOCI. As at 31 December, 2021, the Group held 6.62% of the equity interest in Jiaxing Yuhan. Jiaxing Yuhan was incorporated in the PRC and specialized in making equity investment in various targets within the pharmaceutical industry. The Group's strategy of this investment is for long-term holding. The Group has no intention of realizing its interests in the fund or speculating on its market performance in any short run, and intends to lever on its role in the fund for exploring and ascertaining targets of growth potential in the pharmaceutical industry for business partnering and investment opportunities, for development goals in the long run.

3.6 Investment in Rongchang Production Base

In 2019, the Group, through a wholly-owned subsidiary, Chongqing Qianfeng Pharmaceutical Co., Ltd. ("**Chongqing Qianfeng**"), obtained the state-owned construction land use right of land numbered 2019-RC-1-03 transferred from Rongchang District Government of Chongqing Municipality. The land covers an area of 38,972 m^2 at the transfer price of RMB5,581,000. In March 2019, Chongqing Qianfeng and the local government entered into an transfer agreement of land use right and obtained the right to use the state-owned construction land.

In June 2019, the ground-breaking ceremony of the Rongchang's production base was held by Chongqing Qianfeng, and according to the Investment Agreement signed by the Group and Rongchang Government, the planned building area of this project will be over 40,000 m^2.

This project is a significant strategic plan for the Group to move from a sales-oriented company to a comprehensive pharmaceutical company integrating research and development ("**R&D**"), production and sales. Through such series of measures, the Group hopes to ride on the policy of national industry development and make Rongchang production base an open technology platform, introduce new technologies and new products, realize the localization of high-quality imported products, and fully exercise the comprehensive advantage of manufacturing and sales integration of the Group, so as to constantly improve the market competitiveness and profitability of the Group.

3.7 Investment in Hunan Tiantong Environmental Protection Co., Ltd

On 23 February 2022, Xiantao Pioneer Pharma Co., Ltd. (仙桃先鋒醫療服務有限公司, the "**Xiantao Pharma**") a subsidiary of the Group, Tiandao Medical Co., Ltd. (仙桃市天道醫療服務有限公司, the "**Tiandao Medical**") and Mr. Xiao Guoguang ("**Mr. Xiao**") entered into a capital increase agreement, pursuant to which, Xiantao Pharma intends to increase the capital of Hunan Tiantong Environmental Protection Co., Ltd. (湖南天童環保有限公司, the "**Hunan Tiantong Environmental Protection**") by RMB27.5 million and hold 55% of its interests. After the completion of the capital increase, Hunan Tiantong Environmental Protection will become a subsidiary of the Group.

The Capital Increase is in line with the Group's long-term strategic planning and goals, and will help the Group expand its business into the environmental protection industry. As a leader in environment protection industry, Mr. Xiao has a profound understanding of the development of the industry. In addition, the environmental protection industry is an industry being encouraged and supported by national policies and will have promising prospects for growth. Hunan Tiantong Environmental Protection's self-developed technology of comprehensive recycling of electroless nickel plating waste has a competitive edge of its capacity on recycling of heavy metals, high degree of automation and recyclability; while the complete set of ECD electrocatalytic steel strip acid-free cleaning technology has the characteristics of high speed, low cost and no pollution. With the competitive edges brought by such technologies in the environmental protection industry, Hunan Tiantong Environmental Protection is expected to bring attractive profits and return for the Group and the Shareholders as a whole.

4. Future and Outlook

With the deepening of China's medical reform, the pharmaceutical industry is gradually forming a new ecosystem. As a result of profound changes occurred in different areas such as traditional research and development, review and approval, as well as pricing systems, the pharmaceutical market is facing a significant structural adjustment. In general, the PRC pharmaceutical industry is trending towards diversification in the long run. There will be increasing development opportunities for products satisfying therapeutic needs and with clear clinical value. The Group will continuously focus on the introducing and developing new products, enhancing marketing and promotion capabilities, expanding market coverage through win-win cooperation, enriching the industrial chain through mergers and acquisitions, responding proactively amidst the environment full of challenges and changes in the PRC, and forging vigorously ahead, so as to achieve the new blueprint of the Group's future development.

Meanwhile, the Group has been actively exploring opportunities to identify markets with growth potential for future development and business expansion, as well as creating values and increasing returns for shareholders. In this regard, the Group has been in the process of seeking and exploring business fields with broad prospects and opportunities, including the commencement of environmental protection industry in China, and uses the environmentally technological achievement at internationally advanced level to seek a reliable commercial road while adhering to the existing principal activities and taking the comprehensive marketing, promotion and channel management services for imported pharmaceutical products and medical devices as its core business.

FINANCIAL REVIEW

Revenue

Revenue increased by 7.7% from RMB1,332.0 million in 2020 to RMB1,434.8 million in 2021. Revenue generated from pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services increased by 21.5% from RMB815.5 million in 2020 to RMB991.1 million in 2021, primarily due to the increase in sales due to promotion of major products of the Company in the Reporting Period. Revenue generated from medical devices sold via the provision of comprehensive marketing, promotion and channel management services increased by 12.8% from RMB166.0 million in 2020 to RMB187.2 million in 2021, primarily due to the increase of sales because the Company continuous being committed in marketing promotion which has gained some achievements. Revenue generated from products sold via the provision of co-promotion and channel management services decreased by 9.1% from RMB282.2 million in 2020 to RMB256.6 million in 2021.

Cost of sales

Cost of sales decreased by 8.5% from RMB724.1 million in 2020 to RMB662.8 million in 2021, primarily due to decreasing the sales of Alcon's pharmaceutical products during the Reporting Period and increasing the cost of personal protective products in the same period of last year. Cost of sales for pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services increased by 20.5% from RMB277.5 million in 2020 to RMB334.4 million in 2021. Cost of sales for medical devices sold via the provision of comprehensive marketing, promotion and channel management services decreased by 5.5% from RMB92.0 million in 2020 to RMB87.0 million in 2021. Cost of sales for products sold via the provision of co-promotion and channel management service decreased by 13.6% from RMB274.0 million in 2020 to RMB236.6 million in 2021.

Gross profit and gross profit margin

Gross profit increased by 27.0% from RMB608.0 million in 2020 to RMB772.0 million in 2021. The Group's average gross profit margin increased from 45.6% in 2020 to 53.8% in 2021. The Group's gross profit margin for pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services increased from 66.0% in 2020 to 66.3% in 2021. Compared with the same period of last year, the Group's gross profit margin remained relatively stable during the reporting period. The Group's gross profit margin for medical devices sold via the provision of comprehensive marketing, promotion and channel management services increased from 44.6% in 2020 to 53.5% in 2021, primarily due to the higher sales proportion of some products with higher gross profit margins during the Reporting Period. The Group's gross profit margin for products sold via the provision of co-promotion and provision of channel management services increased from 2.9% in 2020 to 7.8% in 2021.

Other income

Other income decreased by 25.9% from RMB18.7 million in 2020 to RMB13.9 million in 2021, primarily due to decrease in government subsidies received and interest income during the Reporting Period.

Distribution and selling expenses

Distribution and selling expenses increased by 16.6% from RMB443.7 million in 2020 to RMB517.2 million in 2021, primarily due to increase in marketing promotion expenses for some products increasing the marketing activities and expanding market share during the Reporting Period. Distribution and selling expenses as a percentage of revenue increased/decreased from 33.3% in 2020 to 36.0% in 2021.

Administrative expenses

Administrative expenses increased by 10.5% from RMB65.5 million in 2020 to RMB72.3 million in 2021, primarily due to the increase in staff cost and amortization of intangible assets. Administrative expenses as a percentage of revenue increased from 4.9% in 2020 to 5.0% in 2021.

Finance costs

Finance costs decreased by 14.7% from RMB1.1 million in 2020 to RMB0.9 million in 2021 primarily due to the decrease in bank borrowing balance compared with the same period last year, resulting in a decline in interest expenses.

Other gains and losses

The Group other gains and losses decreased from RMB15.5 million in 2020 to RMB-2.0 million in 2021 primarily due to the increase in loss allowance for the associate of the Group and foreign exchange loss during the Reporting Period.

Income tax expense

Income tax expense increased by 38.3% from RMB43.9 million in 2020 to RMB60.6 million in 2021. The Group's effective income tax rate in 2021 and 2020 were 30.1% and 46.0%, respectively. Since the beginning of 2019, the Group has been conducting business primarily through Naqu Area Pioneer Pharma Co., Ltd (那曲先鋒醫藥有限公司) and Chongqing Pioneer Pharma Co., Ltd (重慶先鋒醫藥有限公司) and Chongqing Pioneer Pharma Co., Ltd was subject to Enterprise Income Tax rate of 25%.

Profit for the year

As a result of the above factors, the Group's profit increased by 173.5% from RMB51.5 million in 2020 to RMB140.8 million in 2021. The Group's net profit margin increased from 3.9% in 2020 to 9.8% in 2021.

LIQUIDITY AND CAPITAL RESOURCES

Cash Position

The Group has historically met its working capital and other capital requirements principally from net cash flow supplemented by bank borrowings. The Group's cash and cash equivalents increased from RMB115.0 million as of 31 December 2020 to RMB224.9 million as of 31 December 2021.

The following table is a condensed summary of combined statements of cash flows for the year ended 31 December 2021:

	For the year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Net cash from operating activities	242,064	74,239
Net cash from in investing activities	8,393	23,928
Net cash used in financing activities	(140,280)	(253,041)
Net increase (decrease) in cash and cash equivalents	110,177	(154,874)
Cash and cash equivalents at beginning of the year	115,009	270,284
Effect of foreign exchange rate changes	(335)	(401)
Cash and cash equivalents at end of the year	**224,851**	**115,009**

Net cash from operating activities

In 2021, the Group's net cash from operating activities was RMB242.1 million compared to net cash from operating activities of RMB74.2 million in 2020. This was mainly due to the increase of sales of the Company, resulting in an increase in sales collections at the same time during the Reporting Period.

Net cash from investing activities

In 2021, the Group's net cash from in investing activities was RMB8.4 million compared to net cash from in investing activities of RMB23.9 million in 2020. This was mainly due to the increase in bank's structured deposits purchased with temporarily idle funds during the Reporting Period as compared with the same period last year.

Net cash used in financing activities

In 2021, the Group's net cash used in financing activities was RMB140.3 million compared to net cash used in financing activities of RMB253.0 million in 2020. This was mainly because primarily due to the decrease in payment of dividends and the repayments of bank borrowings is zero during the Reporting Period (2020: Net repayments of bank borrowings was RMB33.3 million).

Bank borrowings and gearing ratio

The Group had total bank borrowings of RMB13.9 million as at 31 December 2021 compared to RMB15.1 million as at 31 December 2020. On 31 December 2021, the effective interest rate of the Group's bank borrowings was from 2.71% to 3.55%. All bank borrowings were denominated in Australian dollars. On 31 December 2021, bank borrowings of RMB13.9 million were secured by interest in an associate. On 31 December 2020, bank borrowings of RMB15.1 million were secured by certain percentage of the Group's equity instrument at FVTOCI. The Group's gearing ratio, calculated as bank borrowings divided by total assets, was 1.0% as at 31 December 2021 compared to 1.1% as at 31 December 2020.

Net Current Assets

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Current Assets		
Inventories	294,947	448,730
Finance lease receivables	–	3,322
Trade and other receivables	306,260	367,686
Amounts due from related parties	75	43,073
Financial asset at fair value through profit or loss	177,230	139,600
Tax recoverable	3,205	1,644
Pledged bank deposits	6,574	8,074
Bank balances and cash	224,851	115,009
	1,013,142	**1,127,138**
Current Liabilities		
Trade and other payables	297,051	430,361
Amount due to an associate	2,033	–
Tax liabilities	24,609	30,181
Bank borrowings	13,866	15,097
Contract liabilities	10,523	8,817
Lease liabilities	113	7
	348,195	**484,463**
Net Current Assets	**664,947**	**642,675**

As of 31 December 2021, the Group has sufficient working capital and financial resources for daily operations.

Inventories

The Group's inventory balances decreased by 34.3% from RMB448.7 million as at 31 December 2020 to RMB294.9 million as at 31 December 2021, primarily due to the Company has improved the efficiency of inventory turnover and the import drugs approval notice of some products has expired by the end of 2020 so the Company increased inventory reserves for some products in 2020 and decreased the purchases of these products during the Reporting Period.

Trade and other receivables

The Group's trade and other receivables decreased by 16.7% from RMB367.7 million as at 31 December 2020 to RMB306.3 million as at 31 December 2021. Trade receivables turnover days decreased from 80.3 days as at 31 December 2020 to 74.6 days as at 31 December 2021, primarily due to the Company strengthened the management of receivables, at the same time, increased the strength of collections for receivables.

Trade and other payables

The Group's trade and other payables decreased by 31.0% from RMB430.4 million as at 31 December 2020 to RMB297.1 million as at 31 December 2021. The Group's trade payables turnover days increased from 157.8 days as at 31 December 2020 to 170.9 days as at 31 December 2021, primarily due to the higher proportion of product purchases with relatively long payment cycles during the Reporting Period.

Capital Expenditure

The following table sets out our capital expenditure for the periods indicated:

	For the year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Purchases of property, plant and equipment	16,211	28,781
Purchases of intangible assets	3,852	45,891
Total	**20,063**	**74,672**

Indebtedness

The table below summarizes the maturity profile of the Group's non-derivative financial liabilities as of the dates indicated, based on undiscounted contractual payments:

	Less than 1 year *RMB'000*	**Between 1 and 2 years** *RMB'000*	**Total** *RMB'000*
As of 31 December 2021			
Bank borrowings	13,866	–	**13,866**
Trade payables	259,964	–	**259,964**
Amount due to a related party	2,033	–	**2,033**
Lease liabilities	113	80	**193**
As of 31 December 2020			
Bank borrowings	15,097	–	**15,097**
Trade payables	360,718	–	**360,718**
Lease liabilities	7	–	**7**

Contingent Liabilities

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

Market Risks

The Group is exposed to various types of market risks, including interest rate fluctuation risk, foreign exchange risk and credit risk in the normal course of business. The Group's sales are denominated in Renminbi, while the Group's purchases, expenses and foreign investments are denominated in Renminbi, Hong Kong dollars, Australian dollars, Euro and U.S. dollars. The Group currently does not have any foreign currency hedging policy, but the management continues to monitor foreign exchange exposure of the Group and will consider hedging significant foreign currency exposure should the need arises.

Dividend

For the dividends paid during the year ended 31 December 2021, the interim dividend and the final dividend of year ended 31 December 2020 was HKD0.075 per share and HKD0.056 per share respectively. The Board proposes a final dividend of HKD0.064, amount to HKD80,484,000 for the year ended 31 December 2021. The expected payment date of final dividend for the year ended 31 December 2021 is 10 June 2022.

EMPLOYEE AND REMUNERATION POLICY

As of 31 December 2021, the Group had a total of 250 employees. For the year ended 31 December 2021, the staff costs of the Group was RMB66.5 million as compared to RMB52.7 million for the year ended 31 December 2020.

The Group's employee remuneration policy is determined by taking into account factors such as remuneration in 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 every year 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. 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 for the Reporting Period.

In addition, the Company adopted a share award scheme (the "**Share Award Scheme**") to recognize the contribution by certain employees including the Directors and senior management of the Group, and to provide them with incentives in order to retain them for the continuing operation and development of the Group, and to attract suitable personnel for further development of the Group.

ANNUAL GENERAL MEETING

The annual general meeting (the "**AGM**") will be held on Wednesday, 18 May 2022. A notice convening the AGM will be published and dispatched to the Shareholders in the manner required by the Rules (the "**Listing Rules**") Governing the Listing of Securities 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 Sunday, 8 May 2022 to Wednesday, 18 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 Wednesday,18 May 2022. All transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Friday, 6 May 2022.

The register of members of the Company will also be closed from Wednesday, 25 May 2022 to Friday, 27 May 2022, in order to determine the entitlement of the Shareholders to the final dividend (if approved by the Shareholders). All transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Tuesday, 24 May 2022.

CORPORATE GOVERNANCE PRACTICES

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 (the "**CG Code**") contained in Appendix 14 to the Listing Rules. The Company has complied with the code provisions as set out in the CG Code for the year ended 31 December 2021. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code contained in the Appendix 10 to the Listing Rules as a code of conduct regarding Directors' securities transactions. Specific enquiry has been made to all the Directors and the Directors have confirmed that they had complied with such code of conduct for the year ended 31 December 2021.

DIVIDEND POLICY

The Board has approved and adopted a dividend policy (the "**Dividend Policy**"). Under such Dividend Policy, it is anticipated that, subject to compliance with the applicable laws and regulations, the Company will declare dividends semi-annually following the announcement of the interim results and following the announcement of the annual results respectively. Dividends will be declared and paid in Hong Kong dollars.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

SHARE AWARD SCHEME

The Share Award Scheme has a term of 10 years commencing from 10 April 2015 on which the Share Award Scheme was adopted by the Board. The Share Award Scheme is administrated by the Board and the trustee of the Share Award Scheme. For details of the Share Award Scheme, please refer to the announcement of the Company dated 10 April 2015.

On 9 October 2015, the Board had resolved to grant a total of 25,060,000 awarded shares to 150 selected employees. For details of the grant of such awarded shares, please refer to the announcement of the Company dated 9 October 2015. No awarded share had been granted by the Company and no granted awarded share had been vested under the Share Award Scheme during the year ended 31 December 2021.

AUDIT COMMITTEE

The Board has established an audit committee (the "**Audit Committee**"), which comprises two independent non-executive Directors, namely Mr. Wong Chi Hung, Stanley (Chairman) and Mr. Zhang Hong; and one non-executive Director, namely Ms. Hu Mingfei. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting, risk management and internal control systems, 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 annual results for the year ended 31 December 2021 of the Group have been reviewed by the Audit Committee and this annual results announcement is based on the Group's audited consolidated financial statements for the year ended 31 December 2021.

AUDITOR

The Company appointed Deloitte Touche Tohmatsu as the auditor of the Company for the year ended 31 December 2021. The Company will submit a resolution to the forthcoming AGM to re-appoint Deloitte Touche Tohmatsu as the auditor of the Company.

PUBLICATION OF THE AUDITED CONSOLIDATED ANNUAL RESULTS AND 2021 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.pioneer-pharma.com/). 2021 annual report containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
China Pioneer Pharma Holdings Limited
Li Xinzhou
Chairman

Hong Kong, 31 March 2022

As at the date of this announcement, the Directors are Mr. LI Xinzhou, Mr. LUO Chunyi and Mr. XIAO Guoguang as executive Directors, Ms. HU Mingfei as non-executive directors and Mr. ZHANG Hong, Mr. LAI Chanshu and Mr. WONG Chi Hung, Stanley as independent non-executive directors.