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CSPC PHARMACEUTICAL GROUP LIMITED
石藥集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 1093)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS

(in RMB'000, unless otherwise stated)

	2021	2020	Change
Revenue by business units:			
Finished drugs	**22,681,444**	20,404,678	11.2%
Bulk products	**3,819,209**	3,231,911	18.2%
Functional food and others	**1,366,217**	1,305,615	4.6%
Total revenue	**27,866,870**	24,942,204	11.7%
Underlying profit attributable to shareholders *(Note 1)*	**5,400,168**	4,347,883	24.2%
Fair value changes on financial assets measured at FVTPL	**167,652**	506,375	
Gain on disposal of a joint venture	**24,273**	–	
Gain on deemed disposal of partial interest in an associate	**13,092**	37,192	
Gain on disposal of subsidiaries	**–**	287,243	
Loss on deemed disposal of a subsidiary	**–**	(19,038)	
Profit attributable to shareholders	**5,605,185**	5,159,655	8.6%
Basic earnings per share *(RMB cents)*	**46.89**	43.16	8.6%
Final dividend per share *(HK cents)*	**10.00**	9.00	11.1%
Full-year dividend per share *(HK cents)*	**18.00**	12.75*(Note 2)*	41.2%

Note 1: *Underlying profit attributable to shareholders, a non-HKFRS measure, represents profit before taking into account (i) fair value changes on financial assets measured at FVTPL and (ii) certain one-off gains or loss, net of tax.*

Note 2: *The amount includes interim dividend of HK3.75 cents, which represents the amount of 2020 interim dividend after adjustment for the effect of the issue of bonus shares on 29 October 2020 for comparison purpose.*

CHAIRMAN'S STATEMENT

RESULTS

For the financial year ended 31 December 2021, the revenue of the Group grew by 11.7% to RMB27,867 million. The profit attributable to shareholders increased by 8.6% to RMB5,605 million. Basic earnings per share increased similarly to RMB46.89 cents.

The Group's underlying profit attributable to shareholders, excluding the fair value changes on financial assets measured at fair value through profit or loss and certain one-off gains or loss, amounted to RMB5,400 million, an increase of 24.2% as compared to 2020.

DIVIDEND

The Board of Directors recommended a final dividend of HK10 cents per share for 2021. Subject to the approval of the shareholders at the forthcoming annual general meeting, the proposed final dividend will be payable on 22 June 2022 to shareholders whose names appear on the register of members on 7 June 2022. Together with an interim dividend of HK8 cents per share, the full-year dividends for 2021 amounted to HK18 cents per share.

INDUSTRY REVIEW

2021 is the first year of the "14th Five-Year Plan". The "14th Five-Year Plan for the Development of Pharmaceutical Industry" issued in January 2022 sets out the specific development goals of the pharmaceutical industry and establishes the development direction of innovation-driven transformation and upgrade of industry chain quality in the next five years. Following several rounds of implementation, centralised medicines procurement has become a normalized and institutionalised purchase system, with its coverage fast expanding. The continuous progress and implementation of medical insurance policies such as annual adjustment of national reimbursement drug list ("NRDL"), "dual-channel" management mechanism of national reimbursement drugs and DRG/DIP payment method reform also have far-reaching impact on the pharmaceutical industry. With the comprehensive deepening of the healthcare reform policies, competition in the industry will intensify, but the pharmaceutical industry will also the move towards the path of innovative research and development and high-quality development, and further enhance market concentration among leading players. Against this backdrop, we will continue to focus on forward-looking policy research, adhere to the path of innovation and fully grasp the opportunities amidst policy changes.

In 2021, the Covid-19 pandemic continued with the virus mutating constantly. The rapid spread of the Omicron variant has brought a new wave of infections and posed a continuous threat to human life and health. With the aim of enhancing protection against Covid-19, the Group has built an end-to-end nucleic acid drug development platform efficiently, and leveraged its existing nanotechnology platform to carry out research on mRNA vaccines against various strains, including Delta and Omicron. The project is currently progressing at full speed.

New environment brings new opportunities. As the country enters a new stage of comprehensive deepening of healthcare reform, the Group will closely link its development direction with the national strategies, uphold the principle of putting life first and adhere to the path of innovation, bringing the Group to new heights.

BUSINESS REVIEW

2021 was a year full of challenges and uncertainties. With the dedication of all staff members, the Group continued to deliver satisfactory results. Key products such as Duomeisu, Jinyouli, Keaili and Xuanning maintained satisfactory sales growth. NBP has begun selling at the new national reimbursement negotiated price in March, which has greatly improved its affordability and competitiveness, and benefited more patients. The strong sales volume growth achieved has substantially alleviated the impact of price reduction. Anfulike (amphotericin B cholesteryl sulfate complex for injection), an exclusive product, was included into the NRDL at a reasonable price after negotiation soon after market launch, which will boost sales ramp-up and fill the unmet clinical needs in an inclusive way. In January 2022, Duoenda (mitoxantrone hydrochloride liposome injection), a globally exclusive new formulation drug developed by the Group, has obtained marketing approval for its first indication, representing a breakthrough in China as there have been no innovative nanodrugs launched for years. Duoenda is a broad-spectrum anti-tumor nanodrug with significant improvement in efficacy in the treatment of several major solid tumors based on currently available clinical research data. The Group is actively conducting clinical research for various indications and striving to develop Duoenda into another blockbuster product of the Group. For common generic drugs, the products launched since 2020, which included cardiovascular, diabetes, antiviral and antibiotic products with significant market potential, have made new contribution to the Group's revenue growth.

The Group has achieved a significant improvement in R&D efficiency in 2021, the number of patients enrolled in clinical studies has increased by more than 2 times as compared to 2020. Among the projects under development, over 50 are in clinical stage. Of which 13 have entered pivotal trial, 3 are about to file application for marketing approval and 2 applications for marketing approval have been accepted by CDE. The Group has established innovative R&D platforms which cover small molecules, macromolecules, nano-formulation, antibody-drug conjugates (ADC), mRNA vaccines and siRNA drugs, providing a solid foundation for the Group's innovative research and development. Among them, the nanotechnology platform has established a leading position in the world. It has successfully developed 4 key nano-formulation drugs, and the current R&D pipeline has more than 5 key products with global patents and great commercial potential.

The Group has also achieved fruitful results in its business development initiatives. 6 projects of product license-in, cooperation and acquisition have been completed, involving products in various therapeutic areas. With support from the Group's strong capabilities in clinical development, registration and commercialisation, they will bring new momentum to our future growth. We have also established a license-out cooperation with a U.S. partner for drug candidate NBL-015 (an anti-Claudin 18.2 monoclonal antibody), marking an important milestone for the expansion of the Group's self-developed innovative products into the overseas market.

CSPC attaches great importance to the improvement of our ESG standard and is committed to creating a green, harmonious and sustainable development path, improving corporate governance and actively giving back to society. In the most recent ESG rating of MSCI in 2021, the rating of CSPC was upgraded from BBB to A.

OUTLOOK

In the past year, China's pharmaceutical industry faced unprecedented challenges: pandemic, government policies, macroeconomic and international environment changes have brought new requirements and challenges to the industry. In 2022, we will continue to maintain its resilient and excellent corporate culture, adhere to the strategies of innovation and internationalisation, leverage the advantages of our comprehensive platform with integrated R&D, manufacture and commercialisation capabilities to enhance overall competitiveness and seize the great opportunities amidst the wave of changes. In particular, the Group will continue to focus on the following aspects:

1. Driven by Innovation

We will continue to increase investing in R&D, and step up our efforts in recruiting, training and providing incentives for top talents. Leveraging the Group's first-class R&D team and centres in Beijing, Shanghai and Shijiazhuang in China as well as in the U.S., we are committed to developing innovative products with our own intellectual property rights to differentiate ourselves from competitors in the industry.

The newly established nucleic acid drug development platform will be a focus of this year. In addition to vaccines against COVID-19 variants, we will also develop siRNA drugs for major chronic genetic diseases (such as gout, NASH and hypercholesterolemia) to fill the unmet clinical needs in the non-oncology field, striving to nurture the next generation of product portfolio with great commercial potential.

2. Strengthening commercialisation capabilities

While the scale of our sales force continuing to expand, we will put efforts to further raise the management capability of the sales force through the introduction of advanced behaviour and performance management tools in the industry. Share-based incentive will be offered to key marketing employees to enhance their work enthusiasm and cohesion.

Leveraging the strong market foundation of the sales force, we will continue to enhance our market access capabilities and ensure rapid market development of the new products, striving to secure a leading market share for the key products.

3. Open to cooperation

Apart from the efforts to ensure the rapid development of our in-house pipeline, we will also focus on raising our business development (BD) capabilities, and building an internationalised BD team and ecosystem. We will actively look for global BD opportunities with the aim of supplementing our product pipeline, expanding therapeutic areas and indications, and introducing cutting-edge technology platforms.

4. Accelerating internationalization

While based in the Chinese market, we will actively explore the international market and deepen international cooperation. Through strengthening of license-in cooperation with overseas partners, we seek to introduce new products, new technologies and high-end talents from the world. We will also seek license-out opportunities for products with global competitiveness in order to increase the proportion of our overseas sales.

The Group will continue to focus on product registration, market development and building the CSPC brand name in the international market in order to enhance the Group's international position in the industry.

APPRECIATION

I would like to take this opportunity to express my gratitude to all staff members for their dedication and hard work, and to all our shareholders, business partners and customers for their continued support.

CAI Dongchen
Chairman

22 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group is an innovation-driven pharmaceutical enterprise with integrated R&D, manufacture and sales capabilities. With the corporate mission of "All for Better Medicines, All for a Healthier World", the Group is committed to developing innovative products to fill unmet clinical needs and provide innovative therapies for patients.

The Group has strong commercialisation capabilities. After years of development and enhancement, its sales force currently has approximately 10,000 team members. It is organised into different business units by main product lines, with extensive coverage in tiered-hospitals, rural health centres, community health centres, clinics and other medical institutions of different levels across the country. Over the past years, in order to promote the sale of innovative products, the Group has focused on building up the innovative drug commercialisation capabilities of the sales team with academic promotion as the core strategy, and strengthening its comprehensive capabilities in medical affairs, market access and brand promotion. It has nurtured a number of innovative drug portfolio represented by NBP, Duomeisu, Jinyouli and Keaili, and will continue efforts for the future stream of new drugs. On the foundation of extensive coverage in cities across the country, the sales team is stepping up its efforts in lower-tier market penetration, with continuous endeavour in county-level market to tap its market potential and provide quality drugs to the grass roots. With the continuous deepening of medical reform and rapid development of the internet health industry, the Group has been actively building up its new retail sales team and constructing the OTC channel and internet medicine platform, and actively exploring a chronic disease management model within the internet framework.

Innovation is the most important strategy and mission throughout the Group's development. The Group has built an internationalised R&D team, eight innovative R&D platforms and five major innovative R&D centres located in China and the US. The Group's nanotechnology platform has developed a number of core delivery technologies encompassing liposomes, albumin-bound nanoparticles, polymeric micelles, and lipid nanoparticles for the delivery of nucleic acid drugs and nucleic acid vaccines, with a pipeline layout occupying a leading position in the international arena. For macromolecule drugs, the focus is on the development of multifunctional proteins and antibody drugs, such as bispecific, trispecific and novel ADC drugs. For small molecule drugs, the focus is on the development of PROTAC, LYTAC and AI-based screening platforms to develop small molecule targeted drugs with multiple functions such as anti-tumour and immune modulation, and small molecule drugs based on epigenetics. With support from the nanotechnology platform, the Group has quickly built up a high-quality end-to-end nucleic acid drug development platform. With mRNA COVID-19 vaccine taking the lead, the Group will continue to develop other vaccine products and small nucleic acid products for chronic diseases.

The Group has also made internationalisation an important development strategy. With internationalisation of talents, R&D, market and business development as its objectives, the Group will continue its efforts in seeking cooperation for both its own products and products from overseas partners in order to broaden the markets and enhance the Group's global position.

BUSINESS REVIEW

Research and Development

In line with its innovation-focused development strategy, the Group continued to increase its investment in R&D. R&D expenses for the year 2021 amounted to RMB3,433 million (charged to income statement), representing an increase of 18.8% and accounting for approximately 15.1% of the revenue of the finished drug business. There are currently about 300 projects under development, including over 40 small molecule innovative drugs, over 40 macromolecule innovative drugs and over 30 new-formulation drugs, mainly focusing on the therapeutic areas of oncology, immunology and respiratory, psychiatry and neurology, metabolism, cardio-cerebrovascular systems and anti-infectives. During the year, the number of enrolments for clinical studies exceeded 4,000, increasing by more than 2 times as compared to last year. Currently, more than 50 key drug candidates have entered clinical trial or registration stage, 2 of which have submitted NDA. (See Table 1 for a summary of the clinical pipeline)

The Group has made the following significant R&D progress in 2021 and recently:

- Duoenda (多恩達) (mitoxantrone hydrochloride liposome injection) obtained drug registration approval in China for the treatment of relapsed or refractory peripheral T-cell lymphoma (PTCL). The product is our self-developed oncology nanodrug and it is also the world's first mitoxantrone nanodrug on the market. Clinical studies have indicated that it has a significantly better efficacy than other drugs in treating patients with relapsed or refractory PTCL. As a broad-spectrum anti-tumor nanodrug, current clinical studies have demonstrated that it has a significant improvement in efficacy in the treatment of ovarian cancer, head and neck squamous carcinoma, pancreatic cancer, breast cancer, small cell lung cancer, NKT cell lymphoma, soft tissue sarcoma and other tumors. It is expected to become another blockbuster product of the Group.

- Anfulike (安復利克) (amphotericin B cholesteryl sulfate complex for injection) obtained drug registration approval in China and was successfully included into the NRDL through negotiation. Amphotericin B is one of the most effective drugs with the broadest anti-fungal spectrum for prevention and treatment of invasive fungal infections. The product has obvious clinical advantages in terms of reduced nephrotoxicity which allows increased dosage as compared to same type of products currently available in the domestic market.

- COPIKTRA (克必妥) (duvelisib capsules) obtained drug registration approval in China in March 2022 for the treatment of adult patients with relapsed or refractory follicular lymphoma after at least two prior systemic therapies. The product is the first approved orally available dual PI3K-δ and PI3K-γ inhibitor worldwide, and is also the first approved PI3K selective inhibitor in China.

- Application for marketing approval of desvenlafaxine succinate extended-release tablets in China was submitted (being the first submission of this product type in China).

- SYSA1801 for the treatment of pancreatic cancer and NBL-015 for the treatment of gastric cancer (including cancer of the gastroesophageal junction) was granted orphan drug designation by the FDA; JMT601 (CPO107) for the treatment of adults patients with relapsed or refractory diffuse large B-cell lymphoma was granted fast track designation by the FDA.

- 11 innovative drug candidates obtained clinical trial approval for their first indications and 28 additional indications in China; and 5 innovative drug candidates obtained clinical trial approval in the US. (See table 2)

- 19 products obtained drug registration approval in China; and 2 products obtained ANDA approval in the US. (See Table 3)

- The project "Establishment and Industrialization of Key Technology System for Site-specific PEGylated Recombinant Protein" was granted the 2020 State Scientific and Technological Progress Second Class Award (國家科學技術進步二等獎); the project "Key Technical Research and International Development of Lvamlodipine Maleate" was granted the Science and Technology Second Class Award of China Pharmaceutical Association (中國藥學會科技二等獎); the project "Key Technology and Industrialization Research of Albumin-bound Nanodrug Delivery" has passed the evaluation for the Science and Technology Progress First Class Award of Hebei Province (河北省科技進步一等獎); CSPC was rated excellent with number six in overall ranking and number one in the pharmaceutical industry in the evaluation results of the 2021 National Enterprise Technology Center released by the National Development and Reform Commission.

- 26 international PCT applications and 204 patent applications (140 domestic and 64 overseas) were filled, and 88 patents (64 domestic and 24 overseas) granted.

Table 1: Summary of clinical pipeline

Pivotal trial stage:

Drug candidate	Type	Target	Indication	Status
Rezetinib mesylate capsules	Chemical drug	EGFR	Non-small cell lung cancer	NDA submitted
Desvenlafaxine succinate extended release tablets	Chemical drug	5-Hydroxytryptamine and norepinephrine reuptake inhibitors	Depression	NDA submitted
Amphotericin B liposome for injection	Nanodrug	Anti-infective, nonspecific drug	Invasive fungal infection	Pivotal trial completed
Irinotecan liposome for injection	Nanodrug	DNA topoisomerase inhibitors	Pancreatic cancer	Pivotal trial completed
Recombinant fully human anti-RANKL monoclonal antibody for injection (JMT103)	Biological drug (monoclonal antibody)	RANKL	Giant cell tumor of bone	Pivotal trial completed
Recombinant fully human anti-PD-1 monoclonal antibody for injection	Biological drug (monoclonal antibody)	PD-1	Cervical cancer	Pivotal trial
Recombinant humanized anti-epidermal growth factor receptor monoclonal antibody for injection (JMT101)	Biological drug (monoclonal antibody)	EGFR	EGFR exon 20 insertion mutation in non-small cell lung cancer	Pivotal trial
Recombinant anti-IgE monoclonal antibody for injection	Biological drug (monoclonal antibody)	IgE	Urticaria	Pivotal trial
KN026 for injection	Biological drug (bispecific antibody)	HER2 bispecific antibody	Gastric Cancer	Pivotal trial
Recombinant humanized anti-HER2 monoclonal antibody-MMAE conjugate for injection (DP303c)	Biological drugs (ADC)	HER2 ADC	Breast cancer	Pivotal trial
SKLB1028 capsules	Chemical drug	FLT3, Abl, Lyn, EGFR	Acute myeloid leukaemia	Pivotal trial
DBPR108 tablets	Chemical drug	DPP-4 inhibitor	Diabetes	Pivotal trial
HA121-28 tablets	Chemical drug	RET, EGFR, VEGFR, FGFR	Non-small cell lung cancer with RET gene fusion	Pivotal trial
Daunorubicin cytarabine liposome for injection	Nanodrug	RNA polymerase inhibitor DNA polymerase inhibitor	Leukemia	Pivotal trial
Paclitaxel nanoparticles for injection (fast dissolving)	Nanodrug	Microtubule inhibitor	Solid tumors	Pivotal trial
Docetaxel for injection (albumin-bound)	Nanodrug	Microtubule Inhibitor	Head and neck squamous cell carcinoma	Pivotal trial
TG103	Biological drug (monoclonal antibody)	GLP1-Fc	Weight loss	Pivotal trial
Butylphthalide soft capsules	Chemical drug		Vascular dementia	Pivotal trial

Early clinical stage:

Drug candidate	Type	Therapeutic Area
Ammuxetine hydrochloride enteric tablets	Chemical drug	Psychiatry
Butylphthalide soft capsules (US)	Chemical drug	Neurology
Butylphthalide soft capsules	Chemical drug	Neurology
Simmitinib hydrochloride tablets, SYHA1801 capsules, SYHA1803 capsules, SYHA1807 capsules, SYHA1811, SYHA1813 oral liquid, SHA1815 tablets, SYHX1903 tablets, SYHX2001 tablets	Chemical drug	Oncology
SYHA1805 tablets, SYHA1402 tablets	Chemical drug	Metabolism
SYHX1901 tablets	Chemical drug	Immunity
M802*, M701 for injection*, Y150 for injection*, Y101D for injection*, JMT601 for injection (China and US)	Biological drug (bispecific antibody)	Oncology
SYSA1801 (China and US)	Biological drug (ADC)	Oncology
ALMB0168 for injection, NBL-015, Pertuzumab for injection	Biological drug (monoclonal antibody)	Oncology
ALMB0166 for injection	Biological drug (monoclonal antibody)	Central nervous system
CM310, CM326, NBL-012 (China and US)	Biological drug (monoclonal antibody)	Immunity
Paclitaxel cationic liposome for injection, sirolimus for injection (albumin-bound), SYHA1908 for injection	Nanodrug	Oncology
Prostaglandin liposome for injection	Nanodrug	Cardiovascular

* *Product developed by Wuhan YZY Biopharma Co. Ltd., an associate of the Group.*

Table 2: Clinical trial approvals

Clinical trial approval for first indication in China:

Drug candidate (indication)	Drug candidate (indication)
Sirolimus for injection (albumin-bound) (solid tumours and hematological tumours)	SYSA1801 (solid tumours)
NBL-012 (chronic inflammatory diseases such as psoriasis, pyogenic sweat glands, inflammatory bowel disease, and other autoimmune diseases)	NBL-015 (advanced solid tumours)
JMT601 (non-Hodgkin's lymphoma)	SYHX1903 (solid tumours and hematological tumours)
Pertuzumab injection (HER2 Positive breast cancer)	SYHA1811 (B-cell lymphoma)
SYHX1901 (systemic lupus erythematosus and rheumatoid arthritis)	SYHA1908 for injection (solid tumours)
SYHX2001 (solid tumours and hematological tumours)	

Clinical trial approval for additional indication in China:

Drug candidate	Drug candidate
SG001 (PD-1) (combined therapy for platinum-resistant relapsed epithelial ovarian cancer)	SG001 (PD-1) (combined therapy for PD-L1 positive platinum-resistant relapsed epithelial ovarian cancer)
JMT101 (non-small cell lung cancer)	SKLB1028 (combined therapy with azacitidine for the treatment of initial AML with FLT3 mutation)
JMT101 (combined therapy for nasopharyngeal cancer)	SKLB1028 (combined therapy with standard treatment "7+3" for the treatment of initial AML with FLT3 mutation)
JMT101 (combined therapy for head and neck squamous cancer)	Irinotecan liposome injection (solid tumours)
JMT101 (combined therapy to patients with stages IIIb-IV non-small cell lung cancer with EGFR mutation)	Irinotecan liposome injection (combined therapy for biliary tract cancer)
JMT101 (combined therapy for first-line treatment of recurrent or metastatic nasopharyngeal cancer)	SG001 (PD-1) (combined therapy for nasopharyngeal cancer)
Mitoxantrone hydrochloride liposome injection (combined treatment of relapsed or refractory multiple myeloma)	SG001 (PD-1) (combined therapy for head and neck squamous cancer)
Mitoxantrone hydrochloride liposome injection (combined treatment of acute myeloid leukemia)	SYHX1903 (CDK9) (solid tumors)
Mitoxantrone hydrochloride liposome injection (treatment of multiple sclerosis)	SYHX1901capsule (Syk-Jak inhibitor) (atopic dermatitis and psoriasis)
Mitoxantrone hydrochloride liposome injection (monotherapy or combined treatment to patients with recurrent ovarian cancer)	Docetaxel for injection (albumin-bound) (combined therapy for head and neck cancer)
Mitoxantrone hydrochloride liposome injection (combined treatment of colorectal cancer)	Docetaxel for injection (albumin-bound) (combined therapy for platinum-resistant relapsed ovarian cancer)
SYHA1402(AR) (diabetic cardiomyopathy)	Duvelisib capsules (combined therapy for advanced malignant solid tumors)
Butylphthalide soft capsules (preventive treatment of peripheral neuropathy caused by chemotherapy)	SYHX2001 (PRMT5) (hematological tumours)
TG103 injection (weight loss)	Prostaglandin liposomes (contrast-induced acute kidney injury)

Clinical trial approval in the US:

Drug candidate	Drug candidate
JMT601 (Non-Hodgkin's lymphoma)	NBL-015 (advanced solid tumors with positive Claudin 18.2 expression)
DP303c (HER2 Positive solid tumours)	SYSA1801 (advanced pancreatic cancer)
NBL-012 (chronic inflammatory diseases such as psoriasis, purulent sweat glands, inflammatory bowel disease, and other autoimmune diseases)	

Table 3: Drug registration approval

Drug	Drug
Mitoxantrone hydrochloride liposome for injection	Amphotericin B cholesterol sulfate complex for injection
Duvelisib capsules	Nintedanib esilate soft capsules
Esomeprazole magnesium enteric capsules	Sorafenib tosylate tablets
Entecavir tablets	Agoliptin benzoate tablets
Sitagliptin phosphate tablets	Lacosamide tablets
Linagliptin tablets	Tofacitinib citrate tablets
Pregabalin capsules	Oseltamivir phosphate capsules
Afatinib dimaleate tablets	Parecoxib sodium for injection
Apixaban tablets	Zoledronic acid injection
Lemvatinib mesylatecapsules	Carbamazepine extended-release tablets (US)
Paroxetine hydrochloride enteric tablets (US)	

The Group is expected to launch more than 30 innovative and new-formulation drugs, and over 60 generic drugs in the next five years. Of which, mitoxantrone liposomes, docetaxel albumin nanoparticles, sirolimus albumin nanoparticles, cisplatin micelle, and paclitaxel albumin nanoparticles (fast dissolving) developed based on the nanotechnology platform; the ultra-long-acting GLP1-IgD/IgG4 Fc fusion protein in the field of metabolism; the world's new CX43 inhibiting and antagonizing antibody; the new ADC and ISAC based on enzymatic site-specific conjugation; the CD20/CD47 bispecific antibodies based on novel asymmetric structure; as well as the mRNA vaccines which can protect against various Covid-19 variants and small nucleic acid drugs (dosed semi-annually) are all heavyweight products with global patents and great market value. The market launch of these new products will provide strong support to the Group's high-quality growth in the future.

Business Development

While continuing to enhance in-house innovation and R&D capabilities, we are also stepping up our business development efforts and building an internationalised BD ecosystem. The Group has established an internationalised business development team to identify potential opportunities globally and out-license our in-house innovative products. The following are the significant progress made by the Group during the period.

In-Licensing:

- Entered into a collaboration with Beta Pharma (Shanghai) Company Limited to obtain the exclusive product license and commercialization rights of rezetinib mesylate capsules (BPI-7711) (a third generation irreversible EGFR-TKI for the treatment of non-small cell lung cancer) in China.

- Entered into a collaboration with Keymed Bioscience (Chengdu) Co., Ltd. ("Chengdu Keymed") to obtain the exclusive product license and commercialization rights of CM310 (an anti-IL-4Rα recombinant humanized monoclonal antibody) for moderate to severe asthma and chronic obstructive pulmonary disease (COPD) in China.

- Entered into a collaboration with Jiangsu Alphamab Oncology Co., Ltd. to obtain the exclusive product license and commercialization rights of KN026 (a HER2-targeted bispecific antibody) for breast cancer and gastric cancer in China.

- Entered into a strategic alliance agreement with Chengdu Keymed to cooperate on the clinical development and commercialization of a variety of nervous system disease products.

- Entered into a collaboration with Chengdu Keymed to obtain the exclusive product license and commercialization of CM326 (an anti-TSPL recombinant humanized monoclonal antibody) for moderate to severe asthma and chronic obstructive pulmonary disease (COPD) and other respiratory system diseases in China.

Out-Licensing:

- Entered into a strategic partnership and license agreement with Flame Biosciences, Inc., a U.S. innovative pharmaceutical company, to out-license the exclusive rights outside of Greater China of the Group's drug candidate NBL-015 (an anti-Claudin 18.2 monoclonal antibody) and two new bispecific antibodies to be developed based on the Group's NovaTE bispecific antibody technology platform.

Equity Acquisition:

- Acquired 51% equity interest in Guangzhou Recomgen Biotech Co., Ltd. ("Recomgen Biotech") in February 2022. Mingfule (銘復樂) (recombinant human TNK tissue-type plasminogen activator for injection), a marketed product of Recomgen Biotech, is a third-generation specific thrombolytic drug with intellectual property rights for the treatment of thrombolysis in patients with acute myocardial infarction within 6 hours of onset. The product is currently undergoing Phase III trial (TRACE II) for the indication of thrombolysis in cerebral infarction, with a huge potential market.

Finished Drug Business

In 2021, the finished drug business maintained stable growth. The Group continued to adopt strategies such as professional academic promotion, hospital development, lower-tier market penetration, expansion of clinical indications and expansion of professional sales force to drive the rapid growth of key finished drug products, and further improve the market coverage to reach different levels of medical institutions in cities, counties, towns and communities. During the year, the market development of new products was carried out in an orderly manner and a number of newly launched generic drugs were selected at national centralised procurement with rapid sales ramp-up, which has brought in new sales contribution and a more balanced product mix.

The finished drug business recorded revenue of RMB22,681 million (including licence fee income of RMB49 million) for the year, an increase of 11.2% compared to last year. Sales of products by major therapeutic areas are as follows:

Therapeutic Area	**2021 Sales** *(RMB' million)*	**Change**
Nervous system disease products	7,544	+1.8%
Oncology products	7,711	+22.5%
Anti-infective products	2,949	+8.9%
Cardiovascular disease products	2,765	+17.2%
Respiratory disease products	402	-18.0%
Digestion and metabolism disease products	497	+1.0%
Others	764	+18.2%

Nervous System Disease Products

Major products include NBP (恩必普) (butylphthalide soft capsules and butylphthalide and sodium chloride injection), Shuanling (舒安靈) (pentoxifylline extended-release tablets and pentoxifylline injection), Enxi (恩悉) (pramipexole dihydrochloride tablets) and Oulaining (歐來寧) (oxiracetam capsules and oxiracetam for injection).

NBP is a Class 1 new chemical drug in China and a patent-protected exclusive product mainly used for the treatment of acute ischemic stroke. It is recommended in the guidelines of various professional organisations such as the Chinese Medical Association and the Chinese Stroke Association for the treatment of acute ischemic stroke, and is also listed in more than twenty domestic authoritative clinical guidelines and expert consensuses. The new NRDL negotiated price implemented in March 2021 has significantly improved product accessibility and resulted in rapid sales volume growth. In respect of the development of new therapeutic areas, there are currently more than 180 research projects in progress. In particular, the overall progress of the clinical trials for the treatment of vascular dementia is smooth with patient enrolment under way, and the enrolment for four of the six 13th Five-Year Plan studies have completed with results expected to come out in 2022. The development of new indications and new markets will bring new growth opportunities for butylphthalide. In 2021, sales of NBP remained at the same level as last year.

Shuanling is mainly used for the treatment of cerebrovascular diseases, peripheral vascular disease, and diabetes complications. In 2021, Shuanling was included in the Expert Consensus on the Management of Post-stroke Cognitive Impairment (2021) and the Guidelines for the Prevention and Treatment of Type 2 Diabetes in China 2020, and 11 clinical studies in collaboration with domestic experts have been initiated, further validating its therapeutic value. In 2021, Shuanling achieved a sales growth of 213.3%.

Enxi is the first product of the Group for the treatment of Pakinson's disease. It was launched in April 2020 and won at the national centralised procurement at a reasonable price in February 2021. In 2021, Enxi achieved a sales growth of 172.0%.

Oncology products

Major products include Duomeisu（多美素）(doxorubicin hydrochloride liposome injection), Jinyouli（津優力）(PEG-rhGCSF injection), Keaili（克艾力）(paclitaxel for injection (albumin-bound) and Duoenda (多恩達) (mitoxantrone hydrochloride liposome injection).

Duomeisu is a product developed by the National Key Laboratory for New Pharmaceutical Preparations and Excipients of the Group and supported by the Major New Drug Development project in China. It is recommended by the U.S. National Comprehensive Cancer Network (NCCN) Guidelines and the Chinese Society of Clinical Oncology (CSCO) for the first-line treatment of lymphoma, ovarian cancer, relapsed or metastatic breast cancer, soft tissue sarcoma and AIDS-related Kaposi's sarcoma. In May 2021, Duomeisu passed the consistency evaluation, further enhancing the brand's advantages and providing a strong foundation for the expansion of its market share. In 2021, Duomeisu achieved a sales growth of 24.0%.

Jinyouli is the first long-acting white blood cell booster drug developed in China. It is used to prevent and treat incidence of infection and pyrexia due to low neutrophil count in patients receiving chemotherapy, thus ensuring the administration of standardised dosage of chemotherapy. Jinyouli is well supported by clinical evidence, earning unanimous recommendations in domestic and foreign guidelines. The Group is further expanding its use into areas including gastrointestinal tumours, head and neck cancer, childhood acute lymphoblastic leukemia, as well as expanding its coverage in core hospitals in cities and in county-level markets. In 2021, Jinyouli achieved a sales growth of 13.1%.

Keaili is the first-to-market generic of new generation paclitaxel chemotherapy drug in China with the consistency evaluation passed. The drug has the distinctive features of convenience, high efficacy and safety. It has been unanimously recommended by domestic and foreign guidelines and expert consensus for breast cancer, lung cancer, gastric cancer and gynaecological tumours. Following the price reduction of 70% in 2020 and inclusion into the NRDL in 2021, the financial burden of patients has been greatly reduced and accessibility of the drug significantly enhanced, leading to substantial growth of the product. The Group will continue to capitalise on the policies to accelerate hospital access and market penetration in order to increase market share, and further expand into new areas such as gastric cancer, esophageal cancer, head and neck cancer, pancreatic cancer and melanoma while consolidating core areas in breast cancer, lung cancer and gynaecological tumours. In 2021, Keaili achieved a sales growth of 27.5%.

Duoenda, a new and upgraded mitoxantrone liposome product, is a new class 2 drug developed by the Group with patents in several countries. By encapsulating in liposome, the pharmacokinetics and tissue distribution of mitoxantrone in vivo were altered, therefore reducing cardiotoxicity and other non-haematological toxicity, and effectively reducing common adverse reactions of liposomes such as infusion-related reactions, hand-foot syndrome and skin mucosal toxicity; allowing for higher dose, achieving higher anti-tumor activity and longer-lasting relief for diseases; achieving precision in tumor targeting; prolonging the intracorporeal circulation of the drug and improving the resistance of NK/T-cell lymphoma therapies to conventional anthracycline drugs, offering a new option for the treatment of relapsed/refractory peripheral T-cell lymphoma (PTCL). Mitoxantrone has a broad spectrum of anti-tumor activity with major indications including malignant lymphoma, breast cancer and acute leukaemia, and has also shown efficacy in lung cancer, ovarian cancer, melanoma and multiple myeloma. The Group is also actively exploring the clinical development of Duoenda in haematological tumors such as leukaemia and multiple myeloma, as well as solid tumours such as head and neck tumours and ovarian cancer. Duoenda was granted drug registration approval in January 2022 for the treatment of relapsed or refractory peripheral T-cell lymphoma and was launched to market in February.

With the launch of Duoenda, the Group's oncology division has established a dedicated line of haematology to market PI3K inhibitor, dasatinib, bortezomib and other new products in an effort to benefit more patients with haematological tumours.

Anti-infective products

Major products include Anfulike (安復利克) (amphotericin B cholesteryl sulfate complex for injection), Shuluoke (舒羅克) (meropenem for injection), Nuomoling (諾莫靈) (amoxicillin capsules), Xianqu/Shiyao (先曲／石藥) (ceftriaxone sodium for injection), Xianwu (先伍) (cefazolin sodium for injection), Zhongnuo Lixin (中諾立新) (cefuroxime sodium for injection), Xinweihong (新維宏) (azithromycin tablets) and Weihong (維宏) (azithromycin dispersible tablets/capsules/enteric tablets).

Anfulike was granted drug registration approval with priority review in March 2021. It is recommended jointly by the State Ministry of Industry and Health Care Commission as a "clinically urgent, market-deficient" product. Anfulike is indicated for the treatment of patients with invasive fungal infections, patients with renal impairment or drug toxicity precludes the use of effective dose of amphotericin B, or patients who have failed in prior amphotericin B deoxycholate treatment. With the modification of the lipid structure, Aufulike has altered the metabolism and distribution characteristics of amphotericin B, reducing the incidence of nephrotoxicity and hypokalaemia and providing a safe and effective medication option for patients with invasive fungal disease. Anfulike was included into the NRDL through negotiation in December 2021, improving the drug accessibility and further expanding the patient population who can benefit from this drug.

Sales of the anti-infective drugs have been driven by the winning of several products in the fifth batch of national centralised procurement, involving products such as ceftriaxone sodium for injection, cefazolin sodium for injection and azithromycin for injection.

Cardiovascular disease products

Major products include Xuanning(玄寧)(maleate levamlodipine tablets and dispersible tablets), Encun(恩存)(clopidogrel bisulfate tablets), Daxinning(達新寧)(dronedarone hydrochloride tablets), Abikang(阿比康)(aspirin enteric tablets) and Meiluolin(美洛林)(ticagrelor tablets).

Xuanning is mainly used for the treatment of hypertension, chronic stable angina and variant angina, and is a product in the NRDL and essential drug list. It is listed in the Guidelines for the Prevention and Treatment of Hypertension in China, Guidelines for the Rational Use of Drugs in Hypertension and other authoritative guidelines in China, and is the first Chinese innovative drug granted full approval by the FDA. The Group reorganised the sales team of Xuanning during 2021 and adopted an integrated sales model of direct, cooperative and retail sales to strengthen the application of Xuanning at different levels of medical institutions in China, boosting sales growth. In 2021, Xuanning achieved a sales growth of 17.5%.

Encun is the only domestic clopidogrel bisulfate tablets with approval by FDA. It is a preferred drug for treating coronary heart disease and secondary prevention for stroke with high quality and reasonable price. Encun is also recommended by the 2020 edition of the Guidelines for Comprehensive Management Practice of Primary Cardiovascular Disease. After winning at the nationwide extended tender of the centralised procurement in September 2019, Encun achieved rapid sales volume ramp-up in the winning provinces. In 2021, Encun achieved a sales growth of 18.0%.

Daxinning is the first-to-market dronedarone hydrochloride tablets in China, mainly used for the treatment of sinus arrhythmia patients with a medical history of paroxysmal or persistent atrial fibrillation. With the ongoing aging population in China, the population of patients with atrial fibrillation is gradually increasing. Previously, the choice of drugs available in the field of atrial fibrillation was somewhat limited, and the launch of Daxinning has opened up a new option for patients. Since launch in October 2019, the Group has established a dedicated sales team and adopted the professional academic-based promotion model. More than 50,000 patients with atrial fibrillation have used the drug so far with satisfactory sales achieved. In early 2022, the product has completed the integration with the sales team of Xuanning.

Respiratory disease products

Major products include Qixiao(琦效)(arbidol hydrochloride tablets), Zhongnuo Like(中諾立克) (ambroxol hydrochloride oral solution), Zhongnuoping (中諾平) (ambroxol hydrochloride extendedrelease tablets), Qixin (琦昕) (Oseltamivir phosphate capsules) and Nuoyian (諾一安)(montelukast sodium tablets/chewable tablets).

Qixiao, a broad-spectrum antiviral drug, is mainly used for the treatment of viral infections represented by influenza. It has also been included in the Expert Consensus on the Emergency Care of Acute Respiratory Viral Infections in Adults and the Expert Consensus on the Integrated Chinese and Western Medicine Prevention and Treatment of Influenza in Children in 2021, providing strong evidence to support its promotion as an emergency and paediatric medicine.

Qixin was approved in August 2021 as a drug for the prevention and treatment of influenza. Qixin is a product listed on both the NRDL and the national essential drug list, and has also passed the consistency evaluation. This product type has high clinical recognition and patient awareness, and has been included in a number of authoritative guidelines. The Group will actively respond to the national policy and cooperate with the procurement efforts to promote Qixin, in order to benefit more patients and reduce their economic burden, and bring in new business growth to the antiviral portfolio.

Digestion and metabolism disease products

Major products include Linmeixin(林美欣)(glimepiride dispersible tablets), Shuanglexin(雙樂欣) (metformin hydrochloride tablets/extended-release tablets) and Xinweiping(欣維平)(acarbose tablets) (approved during the year).

Products in other therapeutic areas

Major products include Gubang(固邦)(alendronate sodium tablets/enteric tablets), Xianpai(先派) (omeprazole injections) and Qimaite(奇邁特)(tramadol hydrochloride tablets).

Bulk Product Business

Vitamin C

Sales amounted to RMB2,149 million in 2021, representing an increase of 15.6%. During the year, sales volume of the Group remained at the top of the industry. Owing to the pandemic and other market conditions, product prices have also increased. The Group has initiated plan to further increase its market share and explore the undeveloped market. It will also continue to optimise its customer structure, expand overseas sales channels, focus on brand building to enhance its overall competitive strength.

Antibiotics and Others

Sales amounted to RMB1,670 million in 2021, representing an increase of 21.7%, which was mainly attributable to the increase in sales volume and prices of certain products. The Group will continue to enhance product chain and product complementarity, accelerate registration in high-end market and steadily improve product quality.

Functional Food and Other Businesses

Sales amounted to RMB1,366 million in 2021, representing an increase of 4.6%. During the year, caffeine products maintained a steady growth, while sales of Guoweikang (vitamin C health supplement product) declined to a certain extent. The Group will maintain stable business growth through technology enhancement, cost control and market development.

Development Strategies

*1. **Strong management strength***

Amid rapid external changes, the importance of an enterprise's management capability has become more prominent. The Group has established a scientific management system that is on par with international enterprises, and will continue to attain improvement in areas such as risk control, financial management, business model and manufacture through system building, process enhancement and maintenance of an up-to-date information management platform in order to enhance its corporate management standard.

Under the leadership of our Chairman, Mr. Cai Dongchen, the Group's management team has become more mature, open and proactive in managing the business and has created a robust and sustainable development model with long-term predictability and reliability, progressing to become a management team with competitive advantages in the industry and capability to achieve corporate strategies and execute the Board's decisions.

We will also focus on building a social ecosystem for the future, creating a harmonious development relationship among the government, the competitors and relevant stakeholders with co-existence of competition and cooperation, so as to achieve sustainable, stable and high-quality development.

2. Industry chain advantage

Under the backdrop of national pharmaceutical policies such as consistency evaluation of generic drugs and volume-based procurement, the Group's advantages in the "bulk drug + preparation" industry chain have become more prominent.

With the industry chain of "bulk drug + preparation", the Group has formed a two-pronged development model. The strengthening and expansion of the bulk drug business and finished drug business will drive a steady growth of the Group with reduced risks of upstream dependency and long-term market competitiveness.

3. Production capacity advantage

Bulk products: Bulk products mainly include vitamin C, caffeine, acarbose, penicillin sodium, cefazolin sodium and meropenem, etc. The production capacity of the above products is among the largest in China.

Chemical drugs: The Group has approximately 140 production lines for pharmaceutical preparations with nearly 1,000 packaging specifications. Of which, the annual production capacity of approximately 20 billion tablets and 3 billion injectables is the largest in China, with the most comprehensive dosage forms and the largest number of specifications.

Biological drugs: The Group is actively building antibody drug industrialisation bases in Shijiazhuang, Yantai and Suzhou with total volume of the culture tanks for biological drugs reaching 40,000 litres. This capacity is for the industrialised production of the Group's biological drugs including monoclonal antibody drugs, bispecific antibody drugs and antibody-drug conjugates, with sufficient capacity reserved for the production requirements of products to be approved.

4. Product pipeline advantage

The Group has been continuously enriching and enhancing its product pipeline and improving its commercialization capability of new products to help boost its business. Since 2021, major products such as NBP, Duomeisu, Jinyouli and Keaili have been able to maintain steady growth, while new products such as Anfulike, Duoenda and Mingfule in the areas of anti-infectives, anti-tumor and cardiovascular have been introduced, continuously injecting new growth momentum.

In addition, the Group is also fully exploring the potential of common generic drugs. While continuing to adjust the product mix, the Group is further leveraging its advantages in the integrated bulk and preparation model to reduce production and operating costs continuously, and is also making the most of the national volume-based procurement policy to achieve significant growth in sales of traditional products.

5. Research and development advantage

Comprehensive R&D system and professional internationalised R&D team: Five domestic and overseas R&D centres have been established with a large team of local and foreign high-level talents engaged in the development of innovative macromolecule drugs, innovative small molecule drugs, nanodrugs and nucleic acid drugs. We have a sound R&D system and a complete R&D chain with highly professional teams engaged in areas from drug discovery to clinical development, production transformation as well as intellectual property protection.

Strong track record and resources in research and development: The Group is one of the first pharmaceutical companies in China to invest in the R&D of innovative drugs, with the commercial launch of class 1 new chemical drug NBP, class 1 new biological drug Jinyouli and innovative nanodrug Duoenda. The Group has a number of national-level technology platforms, including the "National Innovative Enterprise" and the "National Key Laboratory for New Pharmaceutical Preparations and Excipients". It has also accumulated a lot of international experience, with more than 10 drugs conducting clinical studies overseas and 10 orphan drug designations or fast track designations granted.

Leading technology platforms in China with resource integration advantage: The Group has established a leading nanotechnology platform, an ADC platform, a bispecific antibody screening platform and a nucleic acid drug development platform in China. Leveraging its advantages in resource integration, the Group has rapidly developed complex drug delivery systems for mRNA vaccines and siRNA drugs, forming a strong technology and industrialisation strength.

Future development direction:

(i) Rapidly advance the drugs under development to pivotal clinical trial stage to achieve realization of results, and strive to have more than 30 innovative drugs commercially launched within five years.

(ii) Focus on cutting-edge technology, combine independent innovation and licensing-in, and attain differentiated competition. Currently, drug research and development has entered the era of nucleic acid drugs. The Group will make use of its existing nanodrug platform to break through the bottleneck in nucleic acid drug technology and establish a leading position in nano-delivery technology and nucleic acid drugs. At the same time, we will also target emerging technologies such as gene therapy and cell therapy, and develop cutting-edge technologies such as in vivo reprogramming of immune cells. The Group will further integrate internal resources to develop new-formulation drugs such as inhaled antibodies.

(iii) Strengthen the overseas R&D team, select projects with competitive edge for overseas development, promote overseas collaboration or licensing, and gradually enhance the international influence of the Group.

6. Sales channels

The Group currently has a sales force of around 10,000 people. Through its own academic-based promotion, the Group's sales network in China has covered more than 30,000 end-user institutions in 30 provinces, autonomous regions and municipalities, including first-tier end-users (tiered-hospitals), second-tier end-users (retail pharmacies) and third-tier end-users (primary health-care institutions). At the same time, it is actively developing e-commerce channels.

7. Internationalisation

The Group will continue to step up its efforts in internationalisation in the areas of research and development, business development and commercialisation. Through the export of generic and innovative drugs, the Group will strive to rapidly expand its overseas sales, accumulate experience in the international market.

In the area of business development, the Group will strengthen the capability of its internationalised team. It will also actively look for global cooperation opportunities with the aim of supplementing its product lines, expanding therapeutic areas and indications, and introducing cutting-edge technology platforms.

8. Team building

The Group has formulated a five-year human resources plan according to its future strategies and business objectives. Efforts will be focused on the acceleration of talent pool build-up, enhancement of talent quality, upgrade of corporate culture, improvement of human resources management process and enhancement of remuneration and incentives in order to build a highly competitive team of talent, ensuring the achievement of its strategic objectives.

FINANCIAL REVIEW

Financial Results

Revenue and Gross Profit Margin

The Group's revenue for the year amounted to RMB27,867 million, an increase of 11.7% as compared to RMB24,942 million in 2020, which was mainly due to growth of both the finished drug business and bulk product business. Gross profit margin slightly increased 0.9 percentage point, which was the result of product mix change of the finished drug business and higher selling prices of the bulk products.

Operating Expenses

Selling and distribution expenses for the year amounted to RMB10,443 million, an increase of 11.4% as compared to RMB9,378 million in 2020. The increase was primarily attributable to (i) expansion of sales force of finished drugs; and (ii) increased efforts in marketing and academic promotion for key and newly launched finished drug products.

Administrative expenses for the year amounted to RMB1,010 million, an increase of 6.8% as compared to RMB946 million in 2020. The increase was primarily attributable to the expanded scale of operation.

R&D expenses for the year amounted to RMB3,433 million, an increase of 18.8% as compared to RMB2,890 million in 2020. The increase was primarily attributable to the increased spending on ongoing and newly initiated clinical trials.

Other Income

Other income for the year amounted to RMB411 million, which mainly comprised interest income on bank balances of RMB183 million and government grant income of RMB96 million.

Other gains or losses

Other gains or losses for the year amounted to net gain of RMB243 million, which mainly comprised fair value changes on financial assets measured at FVTPL of RMB205 million and fair value changes on structured bank deposits of RMB82 million. The decrease as compared to 2020 was primarily due to the lower amount of fair value changes on financial assets measured at FVTPL reported in 2021.

Liquidity and Financial Position

The Group's operating activities generated a cash inflow of RMB4,637 million (2020: RMB6,740 million) for the year. Turnover days of trade receivables (ratio of balance of trade receivables to sales, inclusive of value added tax for sales in China) were 40 days as compared to 33 days last year. Turnover days of inventories (ratio of balance of inventories to cost of sales) increased by 25 days from 109 days to 134 days. The higher inventory days as compared to last year was mainly due to the need to carry a higher level of inventory to enhance the stability of inventory supply to customers. Current ratio was 2.8, slightly higher than 2.5 a year ago. Capital expenditure for the year amounted to RMB1,557 million, which were mainly spent to construct production facilities and improve production efficiency.

The Group's financial position remained solid. As at 31 December 2021, the aggregate balance of the Group's bank balances and cash amounted to RMB9,684 million (2020: RMB7,726 million). The Group had no external borrowing (2020: RMB99 million) and a nil gearing ratio (ratio of net borrowing to total equity) (2020: nil).

The Group's sales are denominated in Renminbi (for domestic sales in China) and in US dollars (for export sales). The Group manages its foreign exchange risks by closely monitoring its foreign exchange exposures and mitigating the impact of foreign currency fluctuations by using appropriate hedging arrangements when considered necessary.

Pledge of Assets

None of the Group's assets were charged to any third parties as of 31 December 2021.

Contingent Liabilities

The Group did not have any material contingent liabilities as of 31 December 2021.

Dividend Policy

It is the present intention of the Board to provide shareholders with regular dividends with a normal target payout ratio of not less than 30 per cent of the Group's core profit on a full year basis. The actual amount of dividend will depend on a number of factors including but not limited to financial results, financial position and funding needs of the Group.

Employees

The Group employed a total of 24,746 employees as of 31 December 2021. The majority of them are employed in mainland China. The Group continues to offer competitive remuneration packages, discretionary share options, share awards and bonuses to eligible staff, based on the performance of the Group and the individual employee.

CONSOLIDATION FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Notes	**2021**	2020
		RMB'000	*RMB'000*
Revenue	*3*	**27,866,870**	24,942,204
Cost of sales		**(6,731,776)**	(6,256,882)
Gross profit		**21,135,094**	18,685,322
Other income		**411,223**	264,736
Other gains or losses		**242,675**	376,816
Selling and distribution expenses		**(10,443,422)**	(9,377,620)
Administrative expenses		**(1,009,824)**	(945,713)
Research and development expenses		**(3,432,590)**	(2,889,837)
Other expenses		**(108,204)**	(57,036)
Share of results of associates		**(23,894)**	(20,917)
Share of results of joint ventures		**46,337**	34,449
Gain on deemed disposal of partial interest in an associate		**13,092**	37,192
Gain on disposal of a joint venture		**24,273**	–
Gain on disposal of subsidiaries		**–**	314,901
Loss on deemed disposal of a subsidiary		**–**	(19,038)
Finance costs		**(7,664)**	(12,232)
Profit before tax		**6,847,096**	6,391,023
Income tax expense	*5*	**(1,158,972)**	(1,162,013)
Profit for the year	*4*	**5,688,124**	5,229,010
Profit for the year attributable to:			
Owners of the Company		**5,605,185**	5,159,655
Non-controlling interests		**82,939**	69,355
		5,688,124	5,229,010
		RMB cents	*RMB cents*
Earnings per share			
— Basic	*6*	**46.89**	43.16
— Diluted	*6*	**46.89**	43.16

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021	2020
	RMB'000	*RMB'000*
Profit for the year	**5,688,124**	5,229,010
Other comprehensive (expense) income:		
Item that will not be reclassified to profit or loss:		
Fair value (loss) gain on financial assets measured at fair value through other comprehensive income, net of income tax	**(19,723)**	240,898
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**7,800**	(9,340)
Other comprehensive (expense) income for the year, net of income tax	**(11,923)**	231,558
Total comprehensive income for the year	**5,676,201**	5,460,568
Total comprehensive income for the year attributable to:		
Owners of the Company	**5,593,262**	5,391,213
Non-controlling interests	**82,939**	69,355
	5,676,201	5,460,568

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Notes	As at 31 December 2021 RMB'000	As at 31 December 2020 RMB'000
Non-current assets			
Property, plant and equipment		**8,529,370**	7,770,442
Right-of-use assets		**1,034,549**	1,163,898
Investment property		**33,687**	35,406
Goodwill		**149,983**	149,983
Other intangible assets		**467,854**	508,742
Interests in associates		**650,956**	571,640
Interests in joint ventures		**292,505**	261,546
Amounts due from joint ventures		**253,953**	757,331
Other financial assets		**1,979,345**	1,877,024
Deferred tax assets		**43,000**	117,471
Deposits, prepayments and other receivables	*9*	**569,871**	505,356
Bank balances		**400,000**	430,000
		14,405,073	14,148,839
Current assets			
Inventories		**2,480,369**	1,861,066
Trade receivables	*8*	**3,309,148**	2,398,859
Deposits, prepayments and other receivables	*9*	**580,425**	484,289
Bills receivables	*10*	**3,099,188**	1,989,549
Amounts due from related companies		**100,135**	144,260
Amount due from an associate		**400**	82,428
Amounts due from joint ventures		**39,783**	129,680
Structured bank deposits		**1,443,413**	1,535,207
Bank balances and cash		**9,283,642**	7,296,029
		20,336,503	15,921,367

	Notes	As at 31 December 2021 RMB'000	As at 31 December 2020 RMB'000
Current liabilities			
Trade payables	*11*	**1,481,359**	1,204,566
Other payables	*12*	**4,680,829**	3,554,759
Contract liabilities		**428,404**	625,699
Bills payables	*13*	**141,258**	37,000
Contingent consideration payable		**–**	24,346
Amounts due to related companies		**58,910**	13,168
Amounts due to joint ventures		**136,127**	239,630
Lease liabilities		**38,424**	124,835
Tax liabilities		**260,732**	378,839
Borrowing		**–**	99,000
		7,226,043	6,301,842
Net current assets		**13,110,460**	9,619,525
Total assets less current liabilities		**27,515,533**	23,768,364
Non-current liabilities			
Other payables	*12*	**250,198**	253,968
Lease liabilities		**55,620**	92,879
Deferred tax liabilities		**381,484**	320,444
		687,302	667,291
Net assets		**26,828,231**	23,101,073
Capital and reserves			
Share capital		**10,899,412**	10,899,412
Reserves		**15,087,260**	11,432,876
Equity attributable to owners of the Company		**25,986,672**	22,332,288
Non-controlling interests		**841,559**	768,785
Total equity		**26,828,231**	23,101,073

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and on the historical cost basis except for certain financial instruments that are measured at fair value at the end of the reporting period.

The financial information relating to the years ended 31 December 2021 and 2020 included in this preliminary announcement of 2021 annual results does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

- The Company has delivered the financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31 December 2021 in due course.

- The Company's auditor has reported on the financial statements of the Group for the years ended 31 December 2021 and 2020. The auditor's reports for both years were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

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

2. Application of New and Amendments to HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA 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 HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board 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 HKFRSs 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 (HKAS 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.

3. Revenue and Segment Information

	2021	2020
	RMB'000	*RMB'000*
Sale of goods	**27,818,345**	24,942,204
Licence fee income	**48,525**	–
	27,866,870	24,942,204

Information reported to executive directors, being collectively the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered.

The Group's reportable segments under HKFRS 8 *Operating Segments* are as follows:

(a) Finished drugs — research and development, manufacture and sale of pharmaceutical products and licence fee income;

(b) Bulk products — manufacture and sale of vitamin C, antibiotic and other products in bulk powder form; and

(c) Functional food and others — manufacture and sale of functional food products (including caffeine additives and vitamin supplements), provision of healthcare services and others.

Sales of goods

Revenue is recognised at a point of time upon control of the goods has transferred, being when the goods have been delivered to the customer's specific location. Following delivery, the customer bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 90 days upon delivery.

The transaction price received by the Group is recognised as a contract liability until the goods have been delivered to the customer.

As at 31 December 2021, all outstanding sales contracts are expected to be fulfilled within one year. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Licence fee income

The Group provides licence of its patented intellectual property ("IP") or commercialisation licence to customers and revenue is recognised when the customers obtain rights to access or use the underlying IP or licence. Licence fee income is recognised at a point of time upon the customer obtains control of IP or if control is transferred over time, e.g. commercialisation licence to customers for a term of period, revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation.

Segment revenues and results

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

For the year ended 31 December 2021:

		Bulk products					
	Finished drugs	Vitamin C	Antibiotics and others	Functional food and others	Segment total	Eliminations	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
SEGMENT REVENUE							
External sales	**22,632,919**	**2,149,099**	**1,670,110**	**1,366,217**	**27.818.345**	**–**	**27.818.345**
Inter-segment sales	**–**	**11,537**	**176,182**	**28,320**	**216,039**	**(216,039)**	**–**
Licence fee income	**48,525**	**–**	**–**	**–**	**48,525**	**–**	**48,525**
TOTAL REVENUE	**22,681,444**	**2,160,636**	**1,846,292**	**1,394,537**	**28,082,909**	**(216,039)**	**27,866,870**
SEGMENT PROFIT	**5,216,239**	**741,808**	**143,110**	**315,597**	**6,416,754**		**6,416,754**
Unallocated income							**479,651**
Unallocated expenses							**(101,453)**
Share of results of associates							**(23,894)**
Share of results of joint ventures							**46,337**
Gain on deemed disposal of partial interest in an associate							**13,092**
Gain on disposal of a joint venture							**24,273**
Finance costs							**(7,664)**
Profit before tax							**6,847,096**

For the year ended 31 December 2020:

		Bulk products					
	Finished drugs	Vitamin C	Antibiotics and others	Functional food and others	Segment total	Eliminations	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
SEGMENT REVENUE							
External sales	20,404,678	1,859,272	1,372,639	1,305,615	24,942,204	–	24,942,204
Inter-segment sales	–	6,739	115,707	15,106	137,552	(137,552)	–
TOTAL REVENUE	20,404,678	1,866,011	1,488,346	1,320,721	25,079,756	(137,552)	24,942,204
SEGMENT PROFIT	4,814,309	333,009	119,869	275,160	5,542,347		5,542,347
Unallocated income							703,535
Unallocated expenses							(189,214)
Share of results of associates							(20,917)
Share of results of joint ventures							34,449
Gain on deemed disposal of partial interest in an associate							37,192
Gain on disposal of subsidiaries							314,901
Loss on deemed disposal of a subsidiary							(19,038)
Finance costs							(12,232)
Profit before tax							6,391,023

Segment profit represents the profit earned by each segment without allocation of interest income, fair value changes on structured bank deposits, fair value changes on financial assets measured at fair value through profit or loss ("FVTPL"), finance costs, central administrative expenses, share of results of associates and joint ventures, gain on deemed disposal of partial interest in an associate, gain on disposal of a joint venture, gain on disposal of subsidiaries and loss on deemed disposal of a subsidiary. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

Segment assets and liabilities are not regularly provided to the CODM for review.

Geographical information

Information about the Group's revenue from external customers is presented based on the geographical location of customers:

	2021	2020
	RMB'000	*RMB'000*
The People's Republic of China (the "PRC") (country of domicile)	**24,288,769**	21,615,773
Other Asian regions	**1,474,553**	872,244
Americas	**1,159,269**	1,252,436
Europe	**700,267**	987,194
Others	**244,012**	214,557
	27,866,870	24,942,204

The Group's operations are substantially based in the PRC and majority of the Group's non-current assets are located in the PRC. Therefore, no further analysis of geographical information is presented.

None of the Group's customers contributed over 10% of the total revenue of the Group for both years.

4. Profit For The Year

	2021	2020
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging (crediting):		
Staff costs, including directors' and chief executive's remuneration		
— salaries, wages and other benefits	**3,456,607**	2,771,548
— contribution to retirement benefit schemes	**212,608**	97,128
— shared-based payment expense	**17,732**	9,126
Total staff costs	**3,686,947**	2,877,802
Depreciation of property, plant and equipment	**700,408**	671,254
Depreciation of right-of-use assets	**137,983**	120,713
Depreciation of investment property	**1,719**	1,719
Amortisation of other intangible assets	**25,361**	15,121
Total depreciation and amortisation	**865,471**	808,807
Auditor's remuneration		
— audit services	**4,067**	4,217
— non-audit services	**5,874**	4,860
Government grant income (included in other income)	**(96,252)**	(111,606)
Interest income (included in other income)	**(183,240)**	(102,820)
Fair value changes on financial assets measured at FVTPL (included in other gains or losses)	**(205,040)**	(531,097)
Fair value changes on structured bank deposits (included in other gains or losses)	**(81,532)**	(57,705)
Fair value change on contingent consideration payable (included in other gains or losses)	**–**	10,423
Loss on disposal of property, plant and equipment (included in other gains or losses)	**10,786**	12,386
Net foreign exchange loss (included in other gains or losses)	**35,961**	127,465
Impairment losses recognised under expected credit loss model, net of reversal (included in other gains or losses)	**4,070**	38,120
Impairment loss recognised on other intangible asset (included in other expenses)	**50,000**	–

Note: Cost of inventories recognised as an expense approximated cost of sales as shown in the consolidated statement of profit or loss and other comprehensive income for the years ended 31 December 2021 and 2020.

5. Income Tax Expense

	2021	2020
	RMB'000	*RMB'000*
Current taxation:		
— PRC Enterprise Income Tax	**880,441**	1,039,914
— PRC withholding tax on dividends distributed by subsidiaries	**94,750**	136,419
— United States of America ("USA") Federal and State Income tax	**6,787**	4,714
	981,978	1,181,047
Deferred taxation	**176,994**	(19,034)
	1,158,972	1,162,013

The calculation of Hong Kong Profits Tax for the Company and its subsidiaries incorporated in Hong Kong is based on the prevailing tax rates in Hong Kong. No Hong Kong Profits Tax has been recognised as the Company and its subsidiaries incorporated in Hong Kong had no assessable profits for both years.

The basic tax rate of the Company's PRC subsidiaries is 25% under the law of the PRC on Enterprise Income Tax (the "EIT Law") and implementation regulations of the EIT Law. Certain subsidiaries of the Company are qualified as advanced technology enterprises and have obtained approvals from the relevant tax authorities for the applicable tax rate reduced to 15% up to 2023.

The calculation of USA Federal and State Income Tax is based on the prevailing tax rates in the USA.

6. Earnings Per Share

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

	2021	2020
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic and diluted earnings per share	**5,605,185**	5,159,655

Number of shares	**2021**	2020
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**11,953,486**	11,954,570
Effect of dilutive potential ordinary shares:		
Unvested shares under share award scheme	**353**	967
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**11,953,839**	11,955,537

The weighted average numbers of ordinary shares for the calculation of basic earnings per share for both periods have been adjusted for the shares held by the trustee pursuant to the share award scheme.

The computation of diluted earnings per share does not assume the exercise of a subsidiary's share options since their assumed exercise would result in an increase in earnings per share.

7. Dividends

	2021	2020
	RMB'000	*RMB'000*
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2021 Interim, paid — HK8 cents (equivalent to approximately RMB6.6 cents) (2020: 2020 interim, paid — HK6 cents (equivalent to approximately RMB5.3 cents)) per share	**795,058**	395,134
2020 Final, paid — HK9 cents (equivalent to approximately RMB7.5 cents) (2020: 2019 Final, paid — HK20 cents (equivalent to approximately RMB18.2 cents)) per share	**898,320**	1,135,014
Less: Dividend for shares held by share award scheme	**(2,615)**	(2,454)
	1,690,763	1,527,694

8. Trade Receivables

	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**3,358,607**	2,421,295
Less: allowance for impairment	**(49,459)**	(22,436)
	3,309,148	2,398,859

The Group allows a general credit period of 90 days to its trade customers. The following is an aged analysis of trade receivables (net of allowance for impairment) at the end of the reporting period presented based on the invoice dates which approximated the respective revenue recognition dates:

	2021	2020
	RMB'000	*RMB'000*
0 to 90 days	**3,122,761**	2,209,401
91 to 180 days	**175,494**	176,777
181 to 365 days	**8,578**	11,281
More than 365 days	**2,315**	1,400
	3,309,148	2,398,859

Trade receivables with aggregate carrying amount of RMB186,387,000 (2020: RMB189,458,000) are past due as at the reporting date. The amounts are not considered as in default because there has not been significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it has a legal right of offset against any amounts owed by the Group to the counterparty.

9. Deposits, Prepayments and Other Receivables

	2021	2020
	RMB'000	*RMB'000*
Prepayments	**177,753**	90,098
Prepayment for acquisition of other intangible assets	**304,289**	–
Deposits paid for property, plant and equipments and right-of-use assets	**265,582**	461,437
Consideration receivable for disposal of a subsidiary	**–**	150,914
Other taxes recoverable	**199,534**	134,215
Others	**203,138**	152,981
	1,150,296	989,645
Analysed as:		
Current	**580,425**	484,289
Non-current	**569,871**	505,356
	1,150,296	989,645

10. Bills Receivables

Bills receivables represent bills on hand. All bills receivables of the Group are with a maturity period of less than 365 days (2020: less than 365 days) and not yet due at the end of the reporting period. The management considers the default rate is low based on historical information, experience and forward looking information that is available without undue cost or effort.

11. Trade Payables

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

	2021	2020
	RMB'000	*RMB'000*
0 to 90 days	**1,262,830**	1,011,690
91 to 180 days	**82,438**	39,574
More than 180 days	**136,091**	153,302
	1,481,359	1,204,566

The general credit period on purchases of goods is up to 90 days (2020: 90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

12. Other Payables

	2021	2020
	RMB'000	*RMB'000*
Other taxes payable	**102,507**	131,291
Selling expense payable	**2,500,679**	1,912,702
Payables arising from construction cost and acquisition of property, plant and equipment	**790,696**	848,242
Government grants	**467,545**	373,442
Salaries, wages and staff welfare payable	**416,749**	254,590
Research and development expense payable	**143,644**	24,515
Others	**509,207**	263,945
	4,931,027	3,808,727

	2021	2020
	RMB'000	*RMB'000*
Analysed as:		
Current	**4,680,829**	3,554,759
Non-current	**250,198**	253,968
	4,931,027	3,808,727

13. Bills Payables

All bills payables of the Group are aged within 365 days (2020: 365 days) and not yet due at the end of the reporting period.

SUSTAINABLE DEVELOPMENT STRATEGIES

The Group will continue to pursue the development strategies of (i) active development of innovative drug business; (ii) continuation of products internationalization; and (iii) consolidation of leadership in bulk drug business in order to achieve long-term sustainable growth.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions in the Corporate Governance Code (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2021 except the deviation from code provision A.2.1 as set out below.

Code provision A.2.1 of the Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Cai Dongchen, the Company's Chairman, has also assumed the role as the chief executive officer of the Company. The Company believes that vesting both roles in Mr. Cai will allow for more effective planning and execution of business strategies. As all major decisions are made in consultation with members of the Board, the Company believes that there is adequate balance of power and authority in place.

Following the resignation of Mr. Chan Siu Keung, Leonard as an independent non-executive director on 1 January 2021, the Company did not comply with the following rules of the Listing Rules: i) rule 3.10A requiring independent non-executive directors representing at least one-third of the Board; ii) rule 3.10(2) requiring at least one of the independent directors to have appropriate professional qualifications or accounting or related financial management expertise; and iii) rule 3.21 requiring at least one of the members of the audit committee to have appropriate professional qualifications or accounting or related financial management expertise and the audit committee to be chaired by an independent non-executive director; and v) rule 3.25 requiring the remuneration committee to be chaired by an independent non-executive director. With the appointment of Mr. Au Chun Kwok Alan as an independent non-executive director, the chairman of the audit committee and remuneration committee of the Company on 27 January 2021, the above-mentioned rules of the Listing Rules have been complied with by the Company.

REVIEW OF ANNUAL RESULTS

The consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2021 have been reviewed by the Audit Committee of the Company and audited by the Company's auditor.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 20 May 2022 to Thursday, 26 May 2022, both days inclusive, during which period no transfer of shares will be effected. In order to determine the identity of members who are entitled to attend and vote at the annual general meeting to be held on Thursday, 26 May 2022, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 19 May 2022.

The register of members of the Company will be closed from Thursday, 2 June 2022 to Tuesday, 7 June 2022, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 1 June 2022.

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

During the year, the Company repurchased its own shares through The Stock Exchange of Hong Kong Limited as follows:

Month of repurchase	**Number of ordinary shares**	**Highest price per share paid** *HK$*	**Lowest price per share paid** *HK$*	**Aggregate consideration paid** *HK$'000*
November 2021	3,100,000	8.10	8.02	25,005
December 2021	35,396,000	8.60	8.03	291,450
	38,496,000			316,455

23,790,000 and 14,706,000 of the above shares were cancelled upon delivery of the share certificates in December 2021 and January 2022, respectively.

The repurchase of shares was made for the benefit of the shareholders with a view to enhancing the earnings per share as well as maximizing shareholders' return.

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

By order of the Board
CAI Dongchen
Chairman

Hong Kong, 22 March 2022

As at the date of this announcement, the Board comprises Mr. CAI Dongchen, Mr. ZHANG Cuilong, Mr. WANG Zhenguo, Mr. PAN Weidong, Mr. WANG Huaiyu, Dr. LI Chunlei, Dr. WANG Qingxi, Mr. CHAK Kin Man and Dr. JIANG Hao as executive directors; and Mr. WANG Bo, Mr. CHEN Chuan, Prof. WANG Hongguang, Mr. AU Chun Kwok Alan and Mr. LAW Cheuk Kin Stephen as independent non-executive directors.