2021 ANNUAL REPORT

上海昊海生物科技股份有限公司

Shanghai Haohai Biological Technology Co.,Ltd.

(a joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code : 6826

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CORPORATE INFORMATION

FOURTH SESSION OF THE BOARD OF DIRECTORS

Executive Directors:

Dr. Hou Yongtai *(Chairman)*
Mr. Wu Jianying *(General Manager)*
Ms. Chen Yiyi
Mr. Tang Minjie *(Chief Financial Officer)*

Non-executive Directors:

Ms. You Jie
Mr. Huang Ming

Independent Non-executive Directors:

Ms. Li Yingqi
Mr. Jiang Zhihong
Mr. Su Zhi
Mr. Yang Yushe
Mr. Zhao Lei

FOURTH SESSION OF THE SUPERVISORY COMMITTEE

Mr. Liu Yuanzhong *(Chairman)*
Ms. Yang Qing
Mr. Tang Yuejun
Mr. Wei Changzheng
Mr. Yang Linfeng

AUTHORIZED REPRESENTATIVES

Mr. Huang Ming
Mr. Chiu Ming King

JOINT COMPANY SECRETARIES

Ms. Tian Min
Mr. Chiu Ming King *(a fellow member of the Hong Kong Chartered Governance Institute)*

AUDIT COMMITTEE

Ms. Li Yingqi *(Chairlady)*
Ms. You Jie
Mr. Jiang Zhihong
Mr. Su Zhi
Mr. Zhao Lei

REMUNERATION AND REVIEW COMMITTEE

Mr. Su Zhi *(Chairman)*
Mr. Wu Jianying
Mr. Huang Ming
Ms. Li Yingqi
Mr. Zhao Lei

NOMINATION COMMITTEE

Mr. Zhao Lei *(Chairman)*
Dr. Hou Yongtai
Ms. You Jie
Ms. Li Yingqi
Mr. Su Zhi

STRATEGY COMMITTEE

Ms. You Jie *(Chairlady)*
Dr. Hou Yongtai
Mr. Wu Jianying
Mr. Huang Ming
Mr. Yang Yushe

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New Pudong District
Shanghai, China

INFORMATION ON H SHARES

Place of listing:	The Main Board of The Stock Exchange of Hong Kong Limited
Stock code:	6826
Number of H shares issued:	38,022,100 H shares
Nominal value:	RMB1.00 per H share
Stock short name:	HAOHAI BIOTEC

INFORMATION ON A SHARES

Place of listing:	Sci-tech Innovation Board of the Shanghai Stock Exchange
Stock code:	688366
Number of A shares issued:	137,800,000 A shares
Nominal value:	RMB1.00 per A share
Stock short name:	HAOHAI BIOTEC

REGISTERED OFFICE

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PRINCIPAL BANKERS

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FINANCIAL HIGHLIGHTS

	31 December 2021 RMB'000	31 December 2020 RMB'000	31 December 2019 RMB'000	31 December 2018 RMB'000	31 December 2017 RMB'000
Results of operation					
Revenue	1,750,116	1,324,427	1,595,498	1,545,824	1,344,856
Gross profit	1,259,746	990,423	1,231,499	1,211,538	1,057,389
Profit before tax	382,649	257,026	434,349	525,185	461,621
Net profit attributable to owners of the parent	352,234	230,072	370,779	414,540	372,415
Profitability					
Gross profit margin	72.0%	74.8%	77.2%	78.4%	78.6%
Net profit margin	19.8%	17.1%	23.2%	26.8%	27.7%
Earnings per share (RMB)					
Basic earnings per share (Note 1)	2.00	1.30	2.27	2.59	2.33
Assets					
Total assets	6,950,356	6,298,705	6,151,871	4,436,352	4,109,323
Total liabilities	890,070	564,460	498,518	600,905	724,059
Total equity attributable to ordinary equity holders of the parent	5,713,461	5,490,751	5,454,780	3,611,511	3,200,562
Gearing ratio	12.8%	9.0%	8.1%	13.5%	17.6%

Note 1: Diluted earnings per share is the same as basic earnings per share as the Group had no potential dilutive ordinary shares in issue during the Reporting Period.

Dear Shareholders,

I am pleased to present to all Shareholders the 2021 annual report of Haohai Biological on behalf of the Board.

2021 is the first year of the 14th Five-Year Plan for National Economic and Social Development of the PRC. With the effective control of the COVID-19 pandemic and continuous recovery of the economy in China, all the staff of Haohai Biological have together seized the economic recovery opportunity and actively carried out production and business activities this year. Meanwhile, with the gradual deepening of China's medical and health system reform, the issuance of the policies, including reform of medical insurance payment methods, centralized tendering and volume-based procurement, had brought severe challenges to the operating performance of pharmaceutical companies in the short term but would also undoubtedly benefit the overall healthy and sustainable development of the industry.

In 2021, the Group recorded a revenue of approximately RMB1,750.12 million, representing an increase of 32.14% as compared to the corresponding period in 2020; the profit attributable to owners of the parent and the net profit attributable to owners of the parent after deducting non-recurring profit or loss were approximately RMB352.23 million and RMB327.96 million, representing an increase of 53.10% and 58.88% as compared to the corresponding period in 2020, respectively.

The Group continued to increase investment in R&D, the R&D expenses amounted to RMB167.60 million this year, representing an increase of 32.51% as compared to the corresponding period in 2020. We focus on existing therapeutic areas, including ophthalmology, medical aesthetics and wound care, orthopedics and surgery, and make targeted development of new products and new indication and specifications of original products. At present, 22 major projects under research, including innovative casting molded hydrophobic aspheric IOL, the new artificial vitreous product, the linear crosslinked sodium hyaluronate gel product, fourth-generation organic cross-linked HA dermal filler product and second-generation aqueous humor permeable PRL product, are progressing in an orderly manner. The Group's innovative casting molded hydrophobic aspheric IOL product has obtained the European Union CE certificate in January 2021. The Group's porcine fibrin sealant and moxifloxacin hydrochloride were approved by the NMPA for registration in March 2021. The Group's hydrophobic molded toric aspheric IOL product has obtained the European Union CE certificate in April 2021. The Group's preloaded hydrophilic aspheric IOL P-PCF60/A, the IOL product PCF60/L/PCF60/AL suitable for a wider range of patients, especially those with high myopia and hyperopia, and heparin-coated aspheric IOL were approved by the NMPA in November and December 2021.

CHAIRMAN'S STATEMENT

During the year, the Group completed a number of important investments in the fields of ophthalmology and medical aesthetics. In February 2021, the Company signed an equity transfer and capital increase agreement, pursuant to which, the Company would acquire 63.64% of the equity in Juva Medical with a total investment of RMB205 million. After that, the radio frequency and laser medical aesthetics devices and household instruments, as well as innovative dermal fillers of Juva Medical for skin treatment, hair removal and other fields would be included in medical aesthetic products portfolio of the Group. In March, the Company signed a series of agreements, and shall use a maximum amount of US$31 million to subscribe for series A preferred shares of Eirion, and in return, Eirion shall authorize the Company to conduct exclusive R&D, sales and commercialization of its innovative topical smear type-A botulinum toxin product, classic injection type-A botulinum toxin product and small molecule drug product for the treatment of alopecia and gray hair in mainland China, Hong Kong Special Administrative Region, Macau Special Administrative Region, and Taiwan Region. And we also acquired 55% of the equity interests in Hengtai Vision in March, at the same time, Hengtai Vision was licensed by Hengtai Optics the exclusive distribution rights of the high-end rigid gas permeable contact lenses for orthokeratology products (under the brand name of "Maierkang myOK") in the territory of mainland China for a period of 10 years. In April, we acquired 60% of the equity interests in Hebei XSK, who produces and sells soft contact lens products. Hebei XSK's production facilities and technologies can provide process conversion and large-scale production conditions for peripheral defocus soft corneal contact lens with myopia prevention and control capabilities that is under development by the Group, and accelerate the R&D and marketing progress of the product.

In 2021, we continuously improved the corporate governance structure of the Company, had established a three-level ESG governance structure consisting of the ESG working group, the Audit Committee and the Board, with clarifying the responsibilities of all levels, to ensure the orderly implementation of ESG related work. Towards the end of 2021, the Company launched 2021 Restricted A Share Incentive Scheme, to establish and improve the Company's long-term incentive mechanism, attract and retain the core management personnel and technical or operational personnel, effectively strengthen the cohesion of the core team and the competitiveness of the Company, and realize the Company's business goals and development strategy.

Haohai Biological always aims to continuously improve the health quality of Chinese people and promote the rehabilitation of patients. In 2022, we will continue to focus on four fast-growing therapeutic areas, including ophthalmology, medical aesthetics and wound care, orthopedics and surgery, pay attention to scientific research innovation and achievement transformation, optimize and improve management capabilities and improve operational efficiency, improve product lines and integrate the industrial chain, making the Group a leading domestic and internationally renowned biomedical company in the field of biomedical materials.

Finally, on behalf of the Board and the management of the Company, I would like to express my sincere gratitude to every Shareholder and investor who has always been paying attention to us!

Hou Yongtai
Executive Director and Chairman of the Board

28 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

Operation Overview

In 2021, with the effective control of the COVID-19 pandemic (the "**Pandemic**") in China, the impact of the Pandemic on the Group's business activities has gradually weakened. All business segments of the Group achieved a significant growth, showing a trend of continuous recovery and steady improvement.

During the Reporting Period, the Group recorded a revenue of approximately RMB1,750.12 million, representing an increase of RMB425.69 million, or 32.14%, as compared to the corresponding period in 2020. During the Reporting Period, the breakdown of the Group's revenue from the main business of each product line by therapeutic areas is as follows (by the amount and as a percentage of the total revenue of the Group):

	2021		2020		Year-on-year growth
Product line	RMB'000	%	RMB'000	%	(%)
Ophthalmology products	**670,969**	**38.34**	562,660	42.48	19.25
Medical aesthetics and wound care products	**460,985**	**26.34**	240,705	18.17	91.51
Orthopedics products	**400,001**	**22.86**	329,910	24.91	21.25
Anti-adhesion and hemostasis products	**191,928**	**10.97**	171,436	12.94	11.95
Other products	**26,233**	**1.49**	19,716	1.50	33.05
Total	**1,750,116**	**100.00**	1,324,427	100.00	32.14

During the Reporting Period, the overall gross profit margin of the Group was approximately 71.98%, representing a decrease as compared to approximately 74.78% for the corresponding period in 2020, mainly due to (1) in accordance with the relevant provisions of the accounting standards, the Group remeasured the carrying inventories of Juva Medical and its subsidiaries acquired in a business combination not under common control by using the saleable price as its fair value at the date of equity acquisition, and carried forward the cost of main operations for the period at the corresponding fair value when the relevant inventories were sold. As a result, the gross profit margin on sales of these inventories in the Group's consolidated statements was nil, which lowered the overall gross profit margin for the Reporting Period by approximately 1.26%; (2) The sales prices of some models of the Group's ophthalmic intraocular lens products have been reduced in regions where volume-based procurements are carried out. In addition, the Group has steadily lowered the sales price of hyaluronic acids ("**HA**") dermal filler product to highlight its product positioning as "mass HA dermal filler". The Group has a diversified product layout in both the IOL and HA dermal filler product lines. The price reduction of some low-end and mid-end products has had a certain impact on the gross profit margin. However, the Group is striving to increase the sales proportion of mid-to-high-end and high-end products to stabilize the overall gross profit margin.

During the Reporting Period, the Group continued to increase investment in the research and development (the "**R&D**"), focusing on expanding the innovative products lines of ophthalmology and medical aesthetics. The R&D expenses amounted to RMB167.60 million, representing an increase of RMB41.12 million, or approximately 32.51%, as compared to the corresponding period in 2020. During the Reporting Period, R&D expense amounted to 9.58% of the Group's revenue (2020 and 2019: 9.55%, 7.24%). In addition to the continuous new investment in special clinical trial projects such as orthokeratology lense, hydrophobic molded aspherical IOL product, and retinal tears sealant, the Group also introduced the hydrophobic molded toric aspheric IOL project into the clinical trial stage during the Reporting Period. As a result, the R&D expenses in ophthalmic products reached RMB85.97 million during the Reporting Period, representing an increase of approximately RMB12.06 million, or approximately 16.32%, as compared to the corresponding period in 2020. In addition, the biological and physicochemical experiments and clinical trials of the Group's fourth-generation organic cross-linked HA dermal filler products, painless cross-linked HA dermal filler products, hydro-light injections and other medical aesthetic products were also in progress, and the R&D expenses of the Group's key medical aesthetic products increased by approximately RMB9.49 million during the Reporting Period as compared to the corresponding period in 2020.

During the Reporting Period, the profit attributable to owners of the parent and the net profit attributable to owners of the parent after deducting non-recurring profit or loss were approximately RMB352.23 million and RMB327.96 million, representing an increase of 53.10% and 58.88% as compared to the corresponding period in 2020.

As at the end of the Reporting Period, the total assets of the Group were approximately RMB6,950.36 million, and the net assets attributable to owners of the parent were approximately RMB5,713.46 million, representing an increase of 10.35% and 4.06% respectively as compared to those at the end of 2020.

Ophthalmology products

Focusing on the leading technologies in the global ophthalmology field, the Group is committed to expedite the localization of China's ophthalmology industry through independent R&D and investment integration, with the goal of becoming an internationally renowned manufacturer of comprehensive ophthalmology products. During the Reporting Period, the Group's ophthalmology business has covered the fields including cataract treatment, myopia prevention and control, refractive correction, and ocular surface medication, and has owned a number of products under development in the field of fundus disease treatment.

The Group is the largest OVD product manufacturer in the PRC. According to the research reports of Guangzhou Biaodian Medical Information Co., Ltd. ("**Biaodian Medical**") under the NMPA Southern Medicine Economic Research Institute, the market share of the Group's OVD products was 45.24% in 2020, ranking first in China with a market share of over 40% for the past 14 consecutive years. Based on sales volume, the Group's IOL products of different brands have captured about 30% of the annual usage in China's IOL market. In addition, Contamac Holdings, a subsidiary of the Group, is one of the world's largest independent manufacturers of ophthalmic materials providing ophthalmic materials such as materials for IOL and orthokeratology lenses to customers in more than 70 countries worldwide.

During the Reporting Period, the Group's revenue from the sales of ophthalmology products was approximately RMB670.97 million, representing an increase of approximately RMB108.31 million, or 19.25%, as compared to the corresponding period in 2020. The breakdown of revenue from ophthalmology products by specific products is as follows:

	2021		2020		Change
Item	RMB'000	%	RMB'000	%	(%)
Cataract product line	**437,820**	**65.25**	412,827	73.37	6.05
IOL products	**330,968**	**49.33**	328,592	58.40	0.72
OVD products	**106,852**	**15.92**	84,235	14.97	26.85
Myopia prevention and control, and refractive correction product line	**216,239**	**32.23**	137,619	24.46	57.13
Ophthalmology and optometry materials	**161,336**	**24.05**	132,039	23.47	22.19
Ophthalmology and optometry end products	**54,903**	**8.18**	5,580	0.99	883.92
Other ophthalmology products	**16,910**	**2.52**	12,214	2.17	38.45
Total	**670,969**	**100.00**	562,660	100.00	19.25

Note: During the Reporting Period, the Group adjusted the therapeutic field of some ophthalmic products from "Other ophthalmology products" to "Ophthalmology and optometry end products" in the field of myopia prevention and control and refractive correction. Therefore, the revenue of "Other ophthalmology products" under the category of ophthalmology products and its percentage in the revenue of ophthalmology products during the Reporting Period are different from the corresponding data listed in the Group's 2020 Annual Report.

During the Reporting Period, the Group's cataract product line recorded revenue of approximately RMB437.82 million, representing an increase of approximately 6.05% as compared to the corresponding period in 2020, among which, IOL products recorded revenue of approximately RMB330.97 million, basically the same as the previous year. OVD products recorded revenue of approximately RMB106.85 million, representing an increase of approximately 26.85% as compared to the corresponding period in 2020. IOL products and OVD products are mainly used for cataract surgery, and the quantity of cataract surgeries in China rebounded as the impact of the Pandemic weakened during the Reporting Period. During the Reporting Period, the Group's IOL products actively participated in the volume-based procurements of high-value consumables in various regions. Benefiting from the comprehensive bidding models and competitive bidding prices, the sales volume of the Group's IOL products showed a good momentum of growth in the regions where the volume-based procurement was basically implemented, while the average unit selling price of IOL products decreased due to the impact of the volume-based procurement. In addition, the imported "Lenstec" brand IOL products distributed by NIMO, a subsidiary of the Company, experienced a shortage of supply from the second half of 2021 due to the impact of overseas pandemic and natural disasters at the location of production facilities on upstream suppliers. The shortage of some product specifications has led to a decline in the sales performance of NIMO. NIMO is actively coordinating with its upstream suppliers for steady supply.

During the Reporting Period, the Group's myopia prevention and control and refractive correction product line recorded revenue of approximately RMB216.24 million, representing an increase of approximately 57.13% as compared to the corresponding period in 2020, among which, the ophthalmic materials business in the upstream of the supply chain achieved revenue of approximately RMB161.34 million during the Reporting Period, representing an increase of approximately 22.19% as compared to the corresponding period in 2020, mainly due to the gradual weakening of the impact of the global Pandemic and the continuous expanding of the Group's gas permeable materials and other products in the United States and other international markets. The Group's ophthalmology and optometry end products cover orthokeratology lenses and the eye drops and equipment used in the process of fitting and wearing them, soft contact lenses, phakic refractive lenses and other products. During the Reporting Period, the Group's ophthalmology and optometry end products recorded revenue of approximately RMB54.90 million, representing an increase of approximately 883.92% as compared to the corresponding period in 2020. On the one hand, during the Reporting Period, the Group's ophthalmology and optometry end products expanded to include new products such as orthokeratology lens and contact lenses; on the other hand, with the continuous improvement of the synergy between the markets of the eye drops product "Eyesucom" and the orthokeratology lens, the sales volume of such product increased significantly during the Reporting Period. The revenue growth of the Group's ophthalmology and optometry end products was attributable to the above factors.

Other ophthalmology products mainly include injectors, scalpels, suture needles and other products used in various ophthalmic operations. During the Reporting Period, the Group's other ophthalmology products recorded revenue of approximately RMB16.91 million, representing an increase of approximately 38.45% as compared to the corresponding period in 2020, mainly due to the rebound in the quantity of various ophthalmic operations performed after effective control of the Pandemic in China.

Cataract is the biggest cause of blindness in China. The only effective treatment for cataract is IOL implantation through surgery. In terms of industrial chain construction, the Group currently has initially completed the layout of the entire industrial chain of IOL products. We have opened up the upstream raw material production link of the IOL industrial chain through our subsidiary Contamac Holdings; mastered the R&D and production process of IOL products through our subsidiaries Aaren Scientific Inc., Henan Universe, and Henan Simedice Biotechnologies Co. Ltd.; strengthened the downstream sales channels of IOL products through the professional ophthalmology high-value consumables marketing platform of our subsidiary NIMO. In terms of the layout of product lines, leveraging on its domestic and foreign brands, the Group has covered a full range of products from ordinary spherical monofocal IOL to multifocal IOL. In addition, while leveraging on the support of the National Key R&D Programs under the "13th Five-Year Plan", the Group creates synergy among the ophthalmology R&D innovation platforms of the Group in the PRC, the United States, the United Kingdom and France. The Group has promoted the R&D activities for high-end toric and multifocal IOL products. The Group has also extended the materials from hydrophilic IOL materials to hydrophobic IOL materials, and adopts the one-time injection molding process that is different from the traditional turning and milling process, thus achieving a comprehensive layout of high-end IOL materials, complex optical features, and innovative processing technology. Among them, the innovative casting molded hydrophobic aspheric IOL product has been advancing its clinical trial started in September 2020 in an orderly manner in China, and has obtained the European Union CE certificate (class IIb medical device under EU standards) in January 2021. The Group's hydrophobic molded toric aspheric IOL product has obtained the European Union CE certificate in April 2021, and started clinical trials since July 2021 in China.

During the Reporting Period, in the volume-based procurements of IOL high-value consumables organized by Guangdong-Jiangxi-Henan province alliance, Fujian Province, Jiangsu Province and other regions, multiple types of the Group's IOL series products were selected, covering spherical IOLs, aspheric IOLs, preloaded aspheric IOLs, and segmented bifocal IOLs. At present, most provinces and alliances in China have completed the first round of tendering process of their volume-based procurements. Generally, the selected products need to wait for the issuance of relevant policy rules to complete the supplementary network connection, sign the purchase agreement with hospitals, and confirm the delivery service providers and other specific tasks. It will take a certain amount of time for the volume-based procurement policies to be implemented. Therefore, the short-term sales performance of the selected enterprises is under pressure during the transition period. However, in the long term, the actual implementation of procurement policies will bring more opportunities for companies with production cost control capability and product line layout capability. By leveraging its advantages in multi-brand full product lines, channels and costs, the Group will consolidate and further increase the market shares of its IOL products in the bidding areas.

China is one of the countries with the largest number of blindness and visual impairment patients in the world, with cataracts accounting for 32.5% and refractive errors accounting for 44.2% of visual impairment factors, while the prevalence of ophthalmic diseases in the highly myopic population is much higher than that in the normal-vision population. In 2019, the number of myopia patients worldwide was approximately 1.4 billion, among which, the number of myopia patients in China exceeded 600 million, and as a result the capacity of China's myopia prevention and control and refractive correction market is considerable while the penetration rate is low.

In the field of myopia prevention and control, the Group's self-developed eye drops product "Eyesucom" is made of exclusive patented ingredients including medical chitosan and sodium hyaluronate, and is packaged in an aseptic packaging method without preservatives. The product has the functions of natural antibacterial, moisturizing and lubricating, promoting the repair of corneal epithelial damage and reducing staining, etc. It can comprehensively protect the eye surface health of the wearers of orthokeratology lenses. In collaboration with Zhongshan Eye Center and Beijing Tongren Hospital, the Group completed a post-marketing multicenter randomized controlled clinical trial on the protective effect of Eyesucom on the ocular epithelium of orthokeratology lense wearers in January 2021. The results showed that Eyesucom could better protect the ocular epithelium and reduce corneal injuries caused by orthokeratology lense wearers compared with the control group. During the Reporting Period, the sales volume of the Group's eye drops product "Eyesucom" showed a good momentum of growth.

The Group used its self-developed optical design system based on Contamac Holdings' world-leading gas permeable material to develop new orthokeratology lense products. The clinical trials of such products were basically completed, and registration and declaration were about to start. At the same time, the Group has also started to conduct R&D layout for the new products such as gas permeable scleroscope and soft corneal contact lenses with myopia correction capabilities.

In March 2021, the Group acquired 55% of the equity interests in Hengtai Vision. At the same time, the Group entered into an Exclusive Distribution Agreement with Hengtai Optics Co., Ltd. ("**Hengtai Optics**") and Hengtai Vision, pursuant to which, Hengtai Optics would grant exclusive distribution rights of its high-end rigid gas permeable contact lenses for orthokeratology products (under the brand name of "Maierkang myOK"), to Hengtai Vision in the territory of mainland China for a period of 10 years, ending on 31 December 2030. And Hengtai Optics will continue to grant the exclusive distribution rights of its optical lenses for the management and control of myopia in children (under the brand name of "Bestivue") to Hengtai Vision in the territory of mainland China. In January 2022, the Group acquired a 51% equity interest in Xiamen Nanpeng Optics Co., Ltd. ("**Nanpeng Optics**") and obtained through Nanpeng Optics the exclusive distribution rights for Hengtai Optics' orthokeratology lense product "Hengtai Hiline" and rigid corneal contact lenses in mainland China.

With more than 40 years of professional experience in the field of corneal contact lenses, Hengtai Optics has deep technical precipitation and a complete layout of intellectual property rights in mainland China and the global market. The "myOK" orthokeratology lense product is owns the highest oxygen permeability with 141 DK in China and has seven Chinese patents. "Hengtai Hiline" orthokeratology lense product have been sold in the Chinese market for more than ten years, with a high reputation in the industry and brand reputation. Through the above two transactions, the Group entered into an in-depth cooperation with Hengtai Optics and obtained the exclusive distribution rights of all products registered by Hengtai Optics in mainland China, providing a wider choice of optometric products for different consumer segments and expanding the market share and influence of the Group's orthokeratology lense products.

In April 2021, the Group acquired 60% of the equity interests in Hebei XSK. Hebei XSK has obtained four medical device registration certificates for soft contact lens products approved by the NMPA, including daily disposable and annual disposable transparent and colored soft contact lenses. In addition, Hebei XSK has mature soft contact lens production facilities and technologies, which can provide process conversion and large-scale production conditions for peripheral defocus soft corneal contact lens with myopia prevention and control capabilities that is under development by the Group, and accelerate the R&D and marketing progress of the product.

In the field of refractive correction, the Group's subsidiary Hangzhou Aijinglun is mainly engaged in the R&D, production and sales of crystalline refractive lenses, and has independent intellectual property rights of its own developed "Yijing" Posterior Chamber-PRL product, which has a refractive correction range of -10.00D ~ -30.00D and has been approved by the NMPA. Refractive lens surgery with crystalline lens can correct myopia without cutting normal corneal tissues and has the advantages of preserving the adjustment function of the human lens and surgical reversibility, so it is a safe and effective method to correct myopia. Currently, there are only two such products approved for sale in the Chinese market, and "Yijing" PRL product is the only domestic product and the only choice for patients with severe myopia above 1,800 degrees, and therefore the product is highly scarce. In addition, the Group began the process of upgrading its PRL products after the acquisition of the subsidiary, with the second generation of the aqueous humor permeable product entered the registration testing stage, which will enable aqueous humor circulation and provide a wider range of vision correction. Currently, the project is in the registration testing stage.

Through the above products layout, the Group has been able to provide a variety of myopia solutions from prevention and control to correction for all age groups.

In the field of fundus disease treatment, Shanghai Qisheng, a subsidiary of the Company, won the top prize in the National Disruptive Technology Innovation Competition in 2021 for its "Project on the Development of Bionic Artificial Vitreous Product and New Treatment Modality of Artificial Vitreous Product Regeneration" (the "**New Artificial Vitreous Product Project**"). The event was organized by the Ministry of Science and Technology of the People's Republic of China and sponsored by the Torch High Technology Industry Development Center for the first time. The event was designed to implement the Outline of the 14th Five-Year Plan for National Economic and

Social Development of the People's Republic of China and the Long-Range Objectives Through the Year 2035. It focused on discovering and exploring a number of strategic and forward-looking disruptive technology directions, driving China's original innovation capability and industrial competitiveness, and providing a powerful engine for China's industrial transformation and upgrading and high-quality economic development. A total of 2,747 projects participated in the competition, of which 403 projects won the title of Outstanding Project and only 39 biotechnology projects won the highest honor, including the New Artificial Vitreous Product Project, which passed the competition with unanimous votes.

There are 40 million patients with fundus disease in China, and the number is surging at the rate of 3 million people per year. Among all ophthalmic diseases, the fundus disease is difficult to treat and has a wide impact due to its important anatomical location. The artificial vitreous product can be used to treat most of the fundus diseases, which has attracted global researchers to fight for it for decades. In the current domestic market, most vitreous cavity filling products are mainly used to temporarily support the diseased retina by introducing a "foreign body". The new artificial vitreous product developed by the Group aims to simulate the normal physiological structure of the human eye to the greatest extent, to achieve the best results in terms of light transmission and retinal reattachment, thereby reducing the difficulty of surgery and improving the surgical results and helping patients achieve the best post-operative vision. Currently, the new artificial vitreous product is in the registration testing stage, and a number of patents have been granted for related development technologies and processes.

Medical Aesthetics and Wound Care Products

In the field of medical aesthetics and wound care, the Group is the second largest domestic manufacturer of recombinant human epidermal growth factor for external use and one of the well-known domestic manufacturers of HA Dermal Filler.

The Group's rhEGF "Healin", developed and produced by genetic engineering technology, is the only epidermal growth factor product in China that has exactly the same quantity, sequence and spatial structure of amino acids as human natural EGF and the first registered rhEGF product in the world. According to the research reports of Biaodian Medical, the market share of "Healin" products reached 23.84% in 2020, further narrowing the gap with the top-selling brand in the market.

The Group has independently developed and mastered the cross-linking processes such as monophase cross-linking, low-temperature secondary cross-linking, linear non-particle cross-linking, and organic cross-linking. The Group's first-generation HA dermal filler "Matrifill" is the first mono-phase sodium hyaluronate gel for injection approved by the former National Medical Products Administration in the PRC. It is mainly positioned as a popular entry-level hyaluronic acid. The Group's second-generation HA dermal filler "Janlane" is mainly positioned at the mid-to-high end, and mainly features the dynamic filling function. The third-generation HA dermal filler "Hyalumatrix" has the linear non-particle feature and is positioned for high-end consumers by providing the "precise embellishment" function. The Group's HA Dermal Filler product portfolio has been widely recognized in the market and has become a leading brand of domestic HA Dermal Filler products for injection. The fourth-generation organic cross-linked HA dermal filler has completed the enrollment of all subjects and is carrying out clinical trials in an orderly manner.

During the Reporting Period, the Group's revenue of medical aesthetics and wound care products was approximately RMB460.99 million, representing an increase of approximately RMB220.28 million, or 91.51%, as compared to the corresponding period in 2020. The breakdown of the revenue by specific products is as follows:

	2021		2020		Change
Item	RMB'000	%	RMB'000	%	(%)
HA Dermal Filler	239,351	51.93	145,410	60.41	64.60
rhEGF	127,249	27.60	95,295	39.59	33.53
Radio frequency devices and laser equipment	94,385	20.47	–	–	N/A
Total	460,985	100.00	240,705	100.00	91.51

In recent years, the speed of upgrade of medical aesthetic products and related technology have been accelerating. These new products and technology can satisfy existing consumer demands as well as attracting more potential consumers through increasingly comprehensive product supply, improving clinical efficacy and change of consumption concept. At present, China has become the third largest medical aesthetic market in the world. However, compared with other major medical aesthetic markets of other countries, China's penetration rate of medical aesthetic projects is still at a low level, and potential for growth in the market is still significant. In the niche market of HA Dermal Filler products, the HA Dermal Filler for injection has become one of the most popular medical aesthetic products among medical beauty institutions and beauty seekers with relatively higher repurchase rate over time for its safety, effectiveness, high price-performance ratio and other features.

Leveraging on its highly competitive R&D efforts in biomedical materials, manufacturing and marketing platforms and comprehensive strengths in the technology and quality control of products, the Group's products, based on their characteristics and efficacy, have established the differentiated positioning and supplementary development, thus leading the trend of combined application of HA dermal filler in the non-invasive medical aesthetic market in the PRC. Meanwhile, the marketing team of the Group strived to enhance the consumer experience through multidimensional services for medical institutions, practitioners and consumers, and build brand attributes and dominate the lifestyle of consumer groups so as to improve the adhesiveness among the brands, medical institutions and consumers. During the Reporting Period, the Group's HA dermal filler products recorded sales revenue of approximately RMB239.35 million, representing an increase of approximately RMB93.94 million, or approximately 64.60%, as compared to the corresponding period in 2020, mainly due to the gradual recovery of the medical aesthetics industry from the Pandemic and the continuous increase in the sales volume of the third-generation HA dermal filler product "Hyalumatrix" launched by the Group in the second half of 2020, which gradually won clinical usage and consumer recognition.

The Group always focuses on the industrial layout in the field of medical aesthetics, aiming to integrate domestic and overseas industrial resources and introduce international advanced innovative technologies and products through various approaches such as R&D, investment and cooperation. During the Reporting Period, the Group has completed the following layout of the medical aesthetics products line:

In February 2021, the Company signed an equity transfer and capital increase agreement, pursuant to which, the Company will acquire 63.64% of the equity in Juva Medical with a total investment of RMB205 million. After that, the radio frequency and laser medical aesthetics devices and household instruments, as well as innovative dermal fillers of Juva Medical for skin treatment, hair removal and other fields will be included in medical aesthetics products portfolio of the Group. During the Reporting Period, Juva Medical contributed revenue of approximately RMB94.88 million to the consolidated statements of the Group.

In March 2021, the Group signed a series of agreements, pursuant to which, the Group shall use a maximum amount of US$31 million to subscribe for series A preferred shares of Eirion based on a pre-investment valuation of US$190 million in accordance with the agreed milestones completed by Eirion. In return, Eirion shall authorize the Company to conduct exclusive R&D, sales and commercialization of its innovative topical smear type-A botulinum toxin product ET-01, classic injection type-A botulinum toxin product AI-09, and small molecule drug product ET-02 for the treatment of alopecia and gray hair in mainland China, Hong Kong Special Administrative Region, Macau Special Administrative Region, and Taiwan Region. Through this transaction, the Group will successfully enter the fields of botulinum toxin and small molecule drugs.

Up to now, the Group's medical aesthetics products portfolio has formed a complete business matrix covering four major categories including dermal fillers, botulinum toxin, radio frequency devices and laser equipment, which can penetrate into three major application scenarios for medical aesthetics institutions, life aesthetics and home aesthetics, and fully satisfy the demands of end consumers.

Orthopedics Products

During the Reporting Period, the orthopedics products of the Group recorded revenue of approximately RMB400.00 million, representing an increase of approximately RMB70.09 million, or approximately 21.25%, as compared to the corresponding period in 2020. The breakdown of the revenue generated from the sales of orthopedics products by specific products is as follows:

	2021		2020		Change
Item	**RMB'000**	**%**	RMB'000	%	(%)
Sodium hyaluronate injection	**263,502**	**65.88**	230,454	69.85	14.34
Medical chitosan used for intra-articular viscosupplement	**136,499**	**34.12**	99,456	30.15	37.25
Total	**400,001**	**100.00**	329,910	100.00	21.25

In the field of orthopedics, the Group is the largest domestic manufacturer of orthopedic intra-articular viscoelastic supplements. Orthopedic intra-articular viscoelastic supplements are mainly used in degenerative osteoarthritis. Degenerative osteoarthritis is also a common disease in the senior population. According to statistics, the incidence of osteoarthritis in men over the age of 65 is 58%, and that in women is 65% to 67%; the incidence of people over the age of 75 is as high as 80%. As present, there are more than 100 million osteoarthritis patients in China. The Group is the only enterprise having sodium hyaluronate injection products with full series of specifications of 2mL, 2.5mL and 3mL in the PRC market. Meanwhile, the water-soluble chitosan technology used in the Group's medical chitosan products (for intra-articular viscosupplement) is the exclusive patented technology of the Group, making the product the only intra-articular viscosupplement registered as a Class III medical device in the PRC. During the Reporting Period, the NMPA issued a reply letter, classifying and defining the medical chitosan product (used for intra-articular viscosupplement) as a Class III medical device, and the product has been smoothly renewed. In addition, during the Reporting Period, the National Healthcare Security Administration reclassified the primary category of the Company's medical chitosan product (for intra-articular viscosupplement) from anti-adhesion and hemostasis material to orthopedic material, opening up the space for wide use of the product in the prevention and treatment of osteoarthritis in public hospitals. Our medical chitosan product (for intra-articular viscosupplement) and sodium hyaluronate injection product have formed unique therapeutic effects and synergic advantages. With a good pricing system, the sales volume of the Group's orthopedic intra-articular viscoelastic supplements product portfolio has recovered rapidly from the Pandemic and continued to expand its market share.

According to the research reports of Biaodian Medical, the Group has been ranked the largest manufacturer of orthopedic intra-articular viscoelastic supplements in the PRC for seven consecutive years, with a market share continuously increasing from 42.06% in 2019 to 43.30% in 2020.

Anti-adhesion and Hemostasis Products

During the Reporting Period, the Group's anti-adhesion and hemostasis products recorded revenue of approximately RMB191.93 million, representing an increase of approximately RMB20.49 million, or approximately 11.95%, as compared to the corresponding period in 2020. Overall, the sale volume and revenue of the Group's anti-adhesion and hemostasis products have resumed the levels before the outbreak of the Pandemic. The breakdown of revenue from the sales of anti-adhesion and hemostasis products by specific products is as follows:

	2021		2020		Change
Item	RMB'000	%	RMB'000	%	(%)
Medical chitosan used for anti-adhesion	**94,222**	**49.09**	91,182	53.19	3.33
Medical sodium hyaluronate gel	**76,272**	**39.74**	61,264	35.74	24.50
Collagen sponge	**21,434**	**11.17**	18,990	11.07	12.87
Total	**191,928**	**100.00**	171,436	100.00	11.95

In 30 March 2021, the Group's porcine fibrin sealant was approved by the NMPA for registration and marketing. After the approval, the Group updated the virus inactivation process and optimized the production of the porcine fibrin sealant, and the new process was approved by the NMPA in January 2022. Porcine fibrin sealant is a new type of degradable and fast hemostatic biological material made by extracting protein from porcine blood. The main active ingredients of it are porcine fibrinogen and porcine thrombin. In addition to the Group, there are currently only three enterprises that have obtained product registration certificates for porcine fibrin sealant in the domestic market. In aspect of functions, porcine fibrin sealant has the effects of reducing bleeding, closing wounds, and promoting wound healing. It can be widely used in general surgery, gynecology, cardio and brain surgery, neurosurgery, thoracic surgery, hepatobiliary surgery and other departments. It can be used as an auxiliary for surgical hemostasis when the bleeding is unsatisfactory in conventional surgical operations. The sources of fibrin sealants are mainly divided into two categories: human origin and animal origin. Between the two, human-derived

fibrin sealants have fewer sources and high costs, while porcine fibrin sealants have more sources and are more convenient to produce. The plasma collection for the Group comes from the pig breeding base of the Group, which can reduce environmental pollution and the contamination to plasma caused by the environment, thus ensuring the safety of plasma sources and the high quality of plasma. In addition, the porcine fibrin sealant of the Group is the only product currently approved in China, which uses live pulp to prepare raw materials. The Group applied for a series of invention patents for the pulp collection technology of this product, including a device for quickly capturing and fixing live pigs, a movable live pig tissue collection bed, etc., to ensure that the pig plasma collection is internationally leading and innovative in terms of the traceability of pig sources, the controllability of the breeding environment, and the safety of porcine blood products.

DISCUSSION AND ANALYSIS OF FUTURE DEVELOPMENT

Industry Structure and Prospects

At present, the domestic pharmaceutical industry is undergoing a series of major changes: reform of medical insurance payment methods, centralized tendering and volume-based procurement will continue to deepen from the top down foreseeably. Although the above-mentioned policy factors have brought severe challenges to the operating performance of pharmaceutical companies, they will also undoubtedly benefit the overall healthy and sustainable development of the industry.

In the meantime, the rigid market demand brought by the aging and urbanization process in China is still driving the industry to grow steadily. As far as the four areas of the Group are concerned, the IOL industry has been listed as a key industry development area by the “13th Five-Year Plan” for Biological Industry Development (《「十三五」生物產業發展規劃》) and the Guidelines for the Development Planning of the Pharmaceutical Industry (《醫藥工業發展規劃指南》), orthopedics and medical aesthetics products are also on the high ceiling quality track. With the rapid growth of diversified medical needs, the gradual improvement of the medical insurance payment system, and the continuous upgrade of the concept of national health consumption, leading pharmaceutical companies with solid product treatment efficacy, brand value, and innovative ability will encounter major development opportunities.

Development Strategy of the Company

The Group always aims to continuously improve the health quality of Chinese people and promote the rehabilitation of patients, and takes differentiated development as its corporate strategy. The Group will continue to focus on four fast-growing therapeutic areas, including ophthalmology, medical aesthetics and wound care, orthopedics and surgery. The Group will pay attention to scientific research innovation and achievement transformation, and strengthen professional services; continue to maintain the Company’s leading position in technology through cooperation with domestic and foreign well-known R&D institutions, independent R&D and technology introduction; continuously optimize and improve management capabilities and improve operational efficiency; continuously expand and improve product lines and integrate the industrial chain through the combination of endogenous growth and mergers and acquisitions; strengthen the Company’s brand building and enhance brand value, making the Group a leading domestic and internationally renowned biomedical company in the field of biomedical materials.

Business Plan

In 2022, the Group will continue to deeply promote the integration of internal resources of the Group, and further strengthen the integration of merged and acquired enterprises in all aspects of R&D, production, sales and services, enabling merged and acquired enterprises to quickly integrate into the Group's management system. This aims to maximize synergy, improve operational efficiency, develop innovative technologies, and expand market space, while continuing to leverage synergistic advantages and enhance core competitiveness.

In the field of ophthalmology, the Group will, by utilizing its superior R&D resources in China, the US, the UK and France and continuing the R&D investment in innovative products, keep promoting the upgrading of product portfolios. In 2022, the Group will focus on the registration filing of important projects such as innovative rigid gas permeable orthokeratology lens, and clinical trials of casting molded hydrophobic aspheric IOL, hydrophobic toric aspheric IOL, second generation of the aqueous humor permeable refractive lens with crystalline lens, and new artificial vitreous. In terms of marketing, the Group will pay continuous attention to changes in the policy environment such as volume-based procurement of IOL and medical insurance payment. By making use of the Group's multi-brand product line advantages, channel advantages and cost advantages, the Group has formulated scientific benchmarking strategies to ensure that its IOL series products can achieve good bidding results. Meanwhile, the Group has adjusted sales strategies in time to respond to the new marketing pattern in the "post volume-based procurement era". The Group will focus on academic promotion and brand operation in 2022, to promote the coverage of "Maierkang my OK" (a competitive product in the field of myopia prevention and control) in key institutions and regions, establish a professional academic brand image, and rapidly penetrate the market.

In the field of medical aesthetics and wound care, in 2022, the Group will take advantage of the efficacy and price positioning of the "Matrifill" and "Janlane" and "Hyalumatrix" series of HA dermal filler products to accelerate the market penetration of the new product "Hyalumatrix" through the extensive sales network. This aims to further expand the market share of the Group's HA dermal filler series products and strengthen the leading position of the Group's domestic HA dermal filler brand for injection. Meanwhile, the Group will leverage its rich experience and competitive research and development platform of absorbable biological materials to explore leading innovative cross-linking technology. In 2022, the Group will continue to promote the clinical trial of the fourth generation of organic cross-linked HA dermal filler products and the research and development of hydrating injectables. The Group will also integrate its advantageous resources with Juva Medical to give full play to the high synergy between the Group and Juva Medical in terms of technology R&D, product layout and marketing. Through collaborative R&D, advanced process and exchanges on quality control technology, the Group will strengthen its technological strength and product competitiveness in the field of biological materials and dermatology. Among them, core polysaccharide crosslinking technology, multi-phase radio frequency technology, and laser technology applied in hair removal and skin treatment will further supplement and enrich the Group's medical beauty product matrix, so as to meet the diversified market demands. In addition, in 2022, the Group will promote the integration of the domestic and overseas direct sales and e-commerce teams of both parties covering three major application scenarios, namely medical aesthetics, life aesthetics and home aesthetics, to share their respective original customer resources and improve operational efficiency and sales achievement rate.

In 2022, the Group will continue to use its own funds, deepen the deployment of myopia prevention and control and refractive correction on the basis of the existing full industry chain layout of ophthalmology, and focus on more ophthalmic treatment areas such as ocular surface and fundus. In addition, the Group will explore the fast-growing therapeutic areas such as medical beauty, orthopedics and surgery, seek advanced technologies and excellent products and take the opportunity to introduce technologies or invest in cooperation, so as to increase the product reserve and achieve long-term sustainable growth.

FINANCIAL REVIEW

Revenue, Cost and Gross Profit Margin

During the Reporting Period, the Group recorded a total revenue of approximately RMB1,750.12 million (2020: approximately RMB1,324.43 million), representing an increase of approximately RMB425.69 million, or approximately 32.14%, as compared to that in 2020. During the Reporting Period, with the effective control of the Pandemic in China, the impact of the Pandemic on the Group's business activities has gradually weakened. All business segments of the Group recovered, and the revenue of each product line achieved significant growth as compared to that in 2020.

During the Reporting Period, the overall gross profit margin of the Group was 71.98%, representing a decrease as compared to approximately 74.78% for the corresponding period in 2020, primarily due to (1) in accordance with the relevant provisions of the accounting standards, the Group remeasured the carrying inventories of Juva Medical and its subsidiaries acquired in a business combination not under common control by using the saleable price as its fair value at the date of acquisition, and recognised the cost of sales for the period at the corresponding fair value when the relevant inventories were sold. As a result, the gross profit margin on sales of these inventories in the Group's consolidated statements was nil, which lowered the overall gross profit margin for the Reporting Period by approximately 1.26%; (2) The sales prices of some models of the Group's ophthalmic IOL products have been reduced in regions where volume-based procurements are carried out. In addition, the Group has steadily lowered the sales price of HA dermal filler product to highlight its product positioning as "mass HA dermal filler". The Group has a diversified product layout in both the IOL and HA dermal filler product lines. The price reduction of some low-end and mid-end products has had a phased impact on the gross profit margin. However, the Group is striving to increase the sales proportion of mid-to-high-end and high-end products to stabilize the overall gross profit margin.

Selling and Distribution Expenses

During the Reporting Period, the selling and distribution expenses of the Group were approximately RMB612.34 million, representing an increase of approximately RMB56.61 million, or approximately 10.19%, from approximately RMB555.73 million in 2020. As the impact of the Pandemic weakened and the Group's business fully recovered, salaries and bonuses of sales personnel returned to the normal level and increased; meanwhile, as Juva Medical has been included in the consolidation scope of the Company since September 2021, the sales of its life aesthetics instrument products are mainly promoted via e-commerce platforms, with relatively high advertising expenses incurred.

Administrative Expenses

During the Reporting Period, the administrative expenses of the Group were approximately RMB286.09 million, representing an increase of approximately RMB69.33 million, or approximately 31.98%, from approximately RMB216.76 million in 2020, and the proportion of administrative expenses in the Group's total revenue was 16.35%, aligned with the 16.37% in 2020. During the Reporting Period, the total administrative expenses of the Group increased, primarily due to the reduced impact of the Pandemic and the full recovery of the businesses, various administrative activities, as well as the payment of salaries and bonuses to the management personnel, gradually returned to normal, leading to a relatively high increase of salaries and bonuses in the administrative expenses as compared to that in 2020. During the Reporting Period, the Group completed the acquisitions of Juva Medical, Hengtai Vision and Hebei XSK. The administrative expenses of these companies and the amortization of various intangible assets formed from the business acquisitions resulted in an increase in the Group's administrative expenses.

R&D Expenses

During the Reporting Period, the R&D expenses of the Group were approximately RMB167.60 million, representing an increase of approximately RMB41.12 million, or approximately 32.51%, from approximately RMB126.47 million in 2020, mainly because the Group continued to increase investment in R&D, focusing on expanding the innovative product lines of ophthalmology and medical aesthetics. In addition to the continuous new investment in special clinical trial projects such as orthokeratology lense, hydrophobic molded aspherical IOL product, and retinal tears sealant, the Group also introduced the hydrophobic molded toric aspheric IOL project into the clinical trial stage during the Reporting Period. In addition, the biological and physicochemical experiments and clinical trials of the Group's fourth-generation organic cross-linked HA dermal filler products, painless cross-linked HA dermal filler products, hydro-light injections and other medical aesthetic products were also in progress, leading to a relatively high increase in R&D expenses as compared to that in 2020.

Income Tax Expense

During the Reporting Period, the Group's income tax expense was approximately RMB35.37 million (2020: approximately RMB30.69 million), which was primarily due to the gradual recovery of operations of the Group and the significant increase in the revenue and pre-tax profit as compared to the previous year. In addition, the increase in the Group's income tax expense was partially offset by the fact that 100% of the R&D expenses of the Group's companies in Mainland China were deductible under the relevant tax policy during the Reporting Period (2020: 75%).

Results of the Year

During the Reporting Period, the profit attributable to ordinary equity holders of the Company was approximately RMB352.23 million (2020: RMB230.07 million), representing an increase of approximately RMB122.16 million, or approximately 53.10%, as compared to that in 2020, which was mainly attributable to the following factors: (1) during the Reporting Period, affected by the gradually weakened Pandemic, the total revenue and gross profit recorded by the Group increased by approximately RMB425.69 million and RMB269.33 million, respectively, as compared to that in 2020; (2) as mentioned above, during the Reporting Period, the total amount of selling and distribution expenses, administrative expenses and R&D expenses of the Group increased by approximately RMB167.07 million as compared to that in 2020; and (3) during the Reporting Period, due to the increase in dividend income from various equity investments by the Group, the Group's other income and gains increased by approximately RMB17.69 million as compared to that in 2020.

During the Reporting Period, the basic earnings per share were RMB2.00 (2020: RMB1.30).

Liquidity and Capital Resources

As at 31 December 2021, the total current assets of the Group were approximately RMB3,712.59 million, representing a decrease of approximately RMB97.37 million, or approximately 2.56%, as compared to that as at 31 December 2020, which was mainly due to the decrease of the ending amount of the cash and bank balances as at the year end of 2021 arising from the continuous investment made by the Group in engineering projects, equity investment expenditure, repayment of bank borrowings and other cash flow expenditure.

As at 31 December 2021, the total current liabilities of the Group were approximately RMB487.27 million, representing an increase of approximately RMB53.51 million, or approximately 12.34%, as compared to that as at 31 December 2020, which was mainly due to (1) the inclusion of the newly acquired Juva Medical, Hengtai Vision and Hebei XSK into the consolidation scope of the Company during the Reporting Period, resulting in an increase of approximately RMB95.93 million in the aggregate of the Group's current liabilities as at the end of the Reporting Period; (2) the above increase was partially offset by the repayment of most of the Group's short-term borrowings during the Reporting Period and the decrease in the balance of short-term bank and other borrowings of approximately RMB45.29 million at the end of the year as compared to that at the year end of 2020.

As at 31 December 2021, as the total current liabilities of the Group increased, the Group's current assets to liabilities ratio was approximately 7.62 (31 December 2020: 8.78), representing a slight decrease as compared to that as at the year end of 2020, but it was still at a relatively high and stable level.

Employees and Remuneration Policy

The Group had 1,892 employees as at 31 December 2021. The breakdown of the total number of employees by function was as follows:

Production	733
R&D	314
Sales and Marketing	530
Finance	83
Administration	232
Total	1,892

During the Reporting Period, there was no material change in the Group's remuneration policy for its employees, which was still based on their working experience, daily performance, the sales of the Company and external market competition. During the Reporting Period, the total remuneration of the Group's employees amounted to approximately RMB414.38 million, representing an increase of approximately RMB119.86 million from the approximately RMB294.52 million in 2020, mainly attributable to the following factors: (1) the inclusion of the newly acquired Juva Medical, Hengtai Vision and Hebei XSK into the consolidation scope of the Company during the Reporting Period, resulting in an increase of approximately RMB30.94 million in the aggregate of the total remuneration for the Group's employees incurred during the Reporting Period; (2) the bonuses of employees returning to the normal level as the impact of the Pandemic weakened and the Group's business fully recovered; and (3) the decrease in the employees' social insurance cost of the Group benefiting from the preferential or exemption policies introduced by the mainland China during the Pandemic in 2020, while the payment of social insurance cost for employees resumed to normal during the Reporting Period.

To further improve the corporate governance structure of the Company, establish and improve the long-term incentive and constraint mechanism, attract and retain the core management, technical or business backbone, fully mobilize their enthusiasm and creativity, effectively enhance the cohesion of the core team and the competitiveness of the Company, and unite the interests of shareholders, the Company and the core team, so that they will pay attention to the long-term development of the Company and ensure the achievement of the Company's development strategies and business objectives, the Board agreed to adopt the proposal of the 2021 A Share Restricted Stock Incentive Scheme on 29 December 2021. The Incentive Scheme was approved and adopted by shareholders at the 2022 extraordinary general meeting, the 2022 first A Shareholders' class meeting, and the 2022 first H Shareholders' class meeting held on 7 March 2022.

During the Reporting Period, the Group provided various and targeted training programs for its employees regularly. The training content covers topics such as applicable laws and regulations for operations, the requirements of GMP certificate, quality control, anti-corruption, workplace safety and corporate culture.

Treasury Policies

The Group adopts centralized financing and treasury policies designed to strengthen the control on bank deposits and to ensure the secured and efficient use of the Group's capital. Surplus cash of the Group is generally placed in short-term deposits denominated in RMB, US dollars and HKD. It is the Group's policy to enter into principal guaranteed and conservative deposits transactions only and the Group is restricted from investing in high-risk financial products.

Asset Pledge

As at 31 December 2021, the quality guarantee letter issued was secured by the Group's bank deposits of approximately RMB0.62 million. In addition, NIMO, a subsidiary of the Company, obtained banking facility of no more than RMB65,000,000 by pledging all of its trade receivables.

As at 31 December 2020, the Company's bank borrowings amounted to approximately RMB50.00 million being secured by the pledge of bank deposits of approximately RMB50.00 million from Shanghai Qisheng, a subsidiary of the Group. In addition, the bank borrowings of the subsidiary ODC amounted to approximately RMB148,000 were secured by the mortgage of a conveyance of ODC with a carrying amount of approximately RMB201,000.

Gearing Ratio

As at 31 December 2021, the total liabilities of the Group amounted to approximately RMB890.07 million and the gearing ratio (the percentage of total liabilities to total assets) was 12.81%, representing an increase of 3.85 percent from 8.96% as at 31 December 2020, which was primarily due to a share redemption option granted by the Company to the minority shareholder of Juva Medical in connection with its acquisition transaction. In accordance with the relevant provisions of the accounting standards, the Group recognized a non-current liability of approximately RMB186.12 million in relation to this share redemption option on 31 December 2021, which increased the Group's gearing ratio by 2.68 percent.

Cash and Cash Equivalents

As at 31 December 2021, the Group's total cash and cash equivalents were approximately RMB1,283.89 million, representing a decrease of approximately RMB44.00 million from approximately RMB1,327.89 million as at 31 December 2020. This decrease primarily resulted from the net cash flow used for investment activities and financing activities that were approximately RMB148.09 million and RMB231.25 million, respectively, part of which was offset by the net cash flow of approximately RMB342.29 million arising from operating activities.

Bank Borrowings

As at 31 December 2021, NIMO and Bioxis, both subsidiaries of the Company had interest-bearing bank borrowings of approximately RMB25.18 million and EUR0.68 million (equivalent to approximately RMB4.91 million), respectively. As at 31 December 2020, the Company and NIMO had interest-bearing bank borrowings of approximately RMB50.00 million and RMB28.69 million, respectively.

Foreign Exchange Risk

The sales, costs and expenses of the Group were principally and mostly denominated in RMB. Despite the fact that the Group might be exposed to foreign exchange risk, the Board expects that exchange rate fluctuation of the foreign currencies held by the Group will not have any material adverse impact on the Group in the future. During the Reporting Period and as at 31 December 2021, the Group did not enter into any hedging transactions.

Contingent Liabilities

As at 31 December 2021, the Group did not have any material contingent liabilities.

Significant Subsequent Event

Please refer to note 45 to the financial statements in this annual report for the details of significant subsequent event.

Future Plans for Material Investments and Capital Assets

Saved as disclosed in this annual report, the Group has no any other material investment plans or capital asset plans during the year ended 31 December 2021.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

Save as disclosed in this annual report, the Group did not have any material acquisitions and disposals related to subsidiaries, associates and joint ventures during the year ended 31 December 2021.

Significant Investment

Save as disclosed in this annual report, the Group has no other significant investment during the year ended 31 December 2021.

Purchase, Sales or Redemption of Listed Securities

At the 2019 annual general meeting, the 2020 second A Shareholders' class meeting and the 2020 second H Shareholders' class meeting of the Company held on 29 June 2020, a proposal was approved to grant the Board a general mandate to repurchase the Company's H Shares. Pursuant to such authorization, the Company repurchased a total of 584,500 H Shares on the Hong Kong Stock Exchange during the period from 21 July 2020 to 3 September 2020, using a total amount of approximately HK$31,236,345. On 19 March 2021, the 584,500 H Shares repurchased by the Company were cancelled. The Company repurchased a total of 800,000 H Shares on the Hong Kong Stock Exchange during the period from 26 April 2021 to 14 May 2021, using a total amount of approximately HK$53,701,805. On 14 July 2021, the 800,000 H Shares repurchased by the Company were cancelled. After the cancellation, the total number of Shares of the Company was 175,822,100 Shares.

At the 2020 annual general meeting, the 2021 first A Shareholders' class meeting and the 2021 first H Shareholders' class meeting of the Company held on 11 June 2021, a proposal was approved to grant the Board a general mandate to repurchase the Company's H Shares. Pursuant to such authorization, the Company repurchased a total of 1,692,100 H Shares on the Hong Kong Stock Exchange during the period from 30 December 2021 to 17 January 2022, using a total amount of approximately HK$89,803,495. Such H Shares repurchased by the Company have not been cancelled.

Save as disclosed in this annual report, neither the Company nor its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

The Board presents their report and the audited consolidated financial statements of the Group for the Reporting Period.

PRINCIPAL BUSINESS

We focus on the research and development, manufacturing and sales of biomedical materials. We strategically target the fast-growing therapeutic areas in the biomedical material market in China, including ophthalmology, medical aesthetics and wound care, orthopedics, anti-adhesion and homostasis.

BUSINESS REVIEW

A fair review of the Group's business during the Reporting Period is provided in the Chairman's Statement on page 5 and the Management Discussion and Analysis on pages 7 to 24 of this annual report. Description of the risks and uncertainties that the Group may face can be found in the Internal Control, Audit and Risk Management of the Corporate Governance Report on pages 60 to 63 in this annual report. The objectives and policies on financial risk management of the Group are also set out in the note 44 to the financial statements. The events since the end of the Reporting Period and as at the date of this report can be found in Management Discussion and Analysis on page 23 and the note 45 to the financial statements in this annual report. Financial Highlights of the Group are set out on page 4 in this annual report, in which the Group's performance during the Reporting Period is analyzed with financial key performance indicators. In addition, an account of the Group's environmental policies, the Company's relationships with its stakeholders and compliance with relevant laws and regulations that exerts material impact on the Group are included in the Environmental, Social and Governance Report on page 68 in this annual report. The probable future business development of the Company is discussed in Management Discussion and Analysis on page 17 of this annual report. All such cross-referenced parts of this annual report form part of this "Report of the Directors".

RESULTS

The Group's results for the Reporting Period and the financial position of the Group as at 31 December 2021 are set out in the audited consolidated financial statements on pages 121 to 225 of this annual report.

A discussion and analysis of the Company's performance during the year and the material factors underlying its results and financial position are set out in the Management Discussion and Analysis on pages 7 to 24 of this annual report.

DIVIDENDS

On 28 March 2022, the Directors proposed to declare the final dividend of RMB0.70 (inclusive of tax) per ordinary share, amounting to RMB123,075,470 for the year ended 31 December 2021.

I. Holders of A Shares

In accordance with the Notice of Ministry of Finance, State Administration of Taxation and CSRC on Implementing Differentiated Individual Income Tax Policy for Stock Dividends of Listed Companies (Caishui [2015] No. 101) (《財政部、國家稅務總局、中國證監會關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2015]101號)), for shares of listed companies obtained by individuals from public offerings or the market, where the holding period exceeds one year, the China Securities Depository and Clearing Company dividends shall be temporarily exempted from individual income tax; where the holding period is less than one month (inclusive), the full amount of dividends shall be counted as taxable income and where the holding period is more than one month and less than one year (inclusive), 50% of the dividends shall be counted as taxable income on a provisional basis. The individual income tax rate of 20% shall be applicable for all incomes mentioned above. For dividends distributed by the Listed Company, where the period of individual shareholding is within one year (inclusive), the Listed Company shall not withhold the individual income tax temporarily. The tax amount payable, subject to individual transfer of shares, shall be calculated by China Securities Depository and Clearing Corporation Limited in accordance with its terms of shareholding. Custodian of shares including securities companies will withhold the tax amount from individual accounts and transfer the tax amount to China Securities Depository and Clearing Corporation Limited. China Securities Depository and Clearing Corporation Limited shall transfer the tax amount to the Listed Company within 5 working days of the next month, and the Listed Company shall declare the tax to the competent tax authorities upon receiving the tax amount within the statutory reporting period in that month.

Resident enterprise shareholders of A Shares shall report and pay for the enterprise income tax of dividends by themselves.

For the shareholders who are Qualified Foreign Institutional Investor (QFII), the Listed Company shall withhold and pay enterprise income tax at a rate of 10% pursuant to the requirements of the Notice of State Administration of Taxation Concerning the Relevant Questions on the Withholding and Payment of Enterprise Income Tax Relating to the Payment of Dividends, Bonus and Interest by PRC Resident Enterprises to QFII (Guo Shui Han [2009] No. 47) (《國家稅務總局關於中國居民企業向QFII支付股息、紅利、利息代扣代繳企業所得稅有關問題的通知》(國稅函2009[47]號)). For QFII shareholders who wish to enjoy tax concessions shall apply to the competent taxation authority for tax rebates (arrangements) according to the relevant rules and regulations after they receive the dividends, and tax rebates will be executed under tax agreements upon verification carried out by competent tax authorities.

Pursuant to the requirements of the Notice of the Ministry of Finance, the State Administration of Taxation and the CSRC on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (Cai Shui [2014] No. 81) (《財政部、國家税務總局、中國證監會關於滬港股票市場交易互聯互通機制試點有關税收政策的通知》(財税[2014]81號)), listed companies shall withhold an income tax at the rate of 10% on dividends from the A shares of the company invested by Hong Kong investors (including enterprises and individuals) through the SSE, and apply for withholding via the competent tax authorities (before the Hong Kong Securities Clearing Company Limited is able to provide details such as investor identities and holding periods to China Securities Depository and Clearing Corporation Limited, the policy of differentiated rates of taxation based on holding periods will temporarily not be implemented). For investors who are tax residents of other countries and whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of lower than 10%, those enterprises and individuals may, or may entrust a withholding agent to, apply to the competent tax authority of the listed company for the entitlement of the rate under such tax treaty. Upon approval by the competent tax authority, the paid amount in excess of the tax payable based on the tax rate according to such tax treaty will be refunded.

II. Holders of H Shares

In accordance with the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得税法》) and its implementation rules effective on 1 January 2008, where a PRC domestic enterprise distributes dividends for financial periods beginning from 1 January 2008 to non-resident enterprise shareholders, it is required to withhold 10% enterprise income tax for such non-resident enterprise shareholders. Therefore, the Company will, after withholding 10% of the final dividend as enterprise income tax, distribute the final dividend to non-resident enterprise shareholders, i.e. any shareholders who hold the Company's shares in the name of non-individual shareholders, including but not limited to HKSCC Nominees Limited, other nominees, trustees, or holders of H Shares registered in the name of other organizations and groups.

According to regulations by the State Administration of Taxation (Guo Shui Han [2011] No. 348) and relevant laws and regulations, if the individual holders of H shares are residents of Hong Kong or Macau or those countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of these shareholders. However, if otherwise provided by tax laws, relevant tax treaties or notices, the tax will be withheld in accordance with the relevant requirements and tax levy and administration requirements.

According to the requirements of the Notice on the Tax Policies Concerning the Pilot Program of the Shanghai-Hong Kong Stock Connect published by the Ministry of Finance, the State Administration of Taxation and the CSRC (Cai Shui [2014] No. 81) (《財政部、國家稅務總局、中國證監會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)), H-share companies shall withhold an individual income tax at the rate of 20% on dividends from the H shares of the company invested by mainland individual investors on the Hong Kong Stock Exchange through the Shanghai-Hong Kong Stock Connect. For dividends of the shares listed on the Hong Kong Stock Exchange received by mainland securities investment funds from investment through the Shanghai-Hong Kong Stock Connect, individual income tax shall be calculated in accordance with the above requirements. For dividends of the shares listed on the Hong Kong Stock Exchange received by mainland enterprise investors from investment through the Shanghai-Hong Kong Stock Connect, H-share companies shall not withhold income tax of dividends, and mainland enterprise investors shall report and pay the tax amount by themselves. In particular, the dividends received by resident enterprises in mainland which hold H shares for at least 12 consecutive months shall be exempted from enterprise income tax according to law.

According to the requirements of the Notice on the Tax Policies Concerning the Pilot Program of the Shenzhen-Hong Kong Stock Connect published by the Ministry of Finance, the State Administration of Taxation and the CSRC (Cai Shui [2016] No. 127) (《財政部、國家稅務總局、中國證監會關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)), H-share companies shall withhold an individual income tax at the rate of 20% on dividends from the H shares of the company invested by mainland individual investors on the Hong Kong Stock Exchange through the Shenzhen-Hong Kong Stock Connect. For dividends of the shares listed on the Hong Kong Stock Exchange received by mainland securities investment funds from investment through the Shenzhen-Hong Kong Stock Connect, individual income tax shall be calculated in accordance with the above requirements. For dividends of the shares listed on the Hong Kong Stock Exchange received by mainland enterprise investors from investment through the Shenzhen-Hong Kong Stock Connect, H-share companies shall not withhold income tax of dividends, and mainland enterprise investors shall report and pay the tax amount by themselves. In particular, the dividends received by resident enterprises in mainland which hold H shares for at least 12 consecutive months could be exempted from enterprise income tax according to law.

The shareholders of the Company shall pay the relevant tax and/or are entitled to tax reliefs in accordance with the above requirements.

DIVIDEND POLICY

The Company has adopted a dividend policy, pursuant to which, in order to maintain the balance of the Company's reasonable return on investment to investors and the sustainable development of the Group, the Board will take into account the following factors when formulating the profit distribution plan: (1) the actual and expected financial results of the Group; (2) the dividends received by the Company from the subsidiaries; (3) the contract restrictions of the Group; (4) the Group's expected funding needs and future expansion plans; (5) the characteristics of the industry in which the Group operates; (6) external factors that have an impact on the Group's business, financial performance and positioning; (7) other factors that the Board considers appropriate.

In accordance with the Articles of Association, the Company's profit distribution policy is as follows:

1. Profit distribution principles: the Company adopts consistent and stable profit distribution policies, which should emphasize on investors' reasonable investment return while maintaining sustainable development of the Company, but the profit distribution shall not exceed the range of the accumulated distributable profits or damage the Company's ability to continue operations.

2. Form of the profit distribution: the Company may distribute profit in the form of cash, shares, or by the combination of cash and shares, and shall adopt cash distribution as the prioritised mean to distribute profit provided that the conditions for cash distribution are satisfied.

3. Cash distribution interval: (1) the Company must make profit distribution at least once a year, provided that the Company records profit for the year with positive accumulative profit undistributed; (2) the Company may make interim profit distribution. The Board may propose to declare interim dividend according to the current profit scale, cash flows, development stage and capital needs.

4. The Board shall propose differentiated cash dividend policies according to the procedures as set out in the Articles of the Association by considering the following different circumstances after taking into full consideration the characteristics of the industry in which the Company operates, its stage of development, its business model, profitability and whether there are any arrangements for significant capital expenses: (1) if the Company is at mature stage and there are no arrangements for significant capital expenses, in making profit distribution, cash dividends shall account for at least 80% of the total profit to be distributed; (2) if the Company is at mature stage and there are arrangements for significant capital expenses, in making profit distribution, cash dividends shall account for at least 40% of the total profit to be distributed; (3) If the Company is at growth stage and there are arrangements for significant capital expenses, in making profit distribution, cash dividends shall account for at least 20% of the total profit to be distributed; If the stage of development of the Company is difficult to identify and there are arrangements for significant capital expenses, the preceding provision shall apply.

5. The specific conditions for the cash dividend distribution are as follows: (1) positive figures are recorded for the distributable profits of the Company (i.e. the remaining after-tax profits after the Company has covered loss and has extracted statutory reserve fund) during the preceding financial year; (2) a standard unqualified audit report is issued by an auditor for the financial report of the Company during the preceding financial year. If the Company recorded negative distributable profits for the preceding financial year or the auditor issued non-standard qualified audit report, the Company shall not distribute cash dividends during that year; (3) the Company has no such events as major investment plans or significant cash expenditures (excluding fund-raising projects).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the Group's operating results, assets and liabilities for the past five financial years is set out on page 4 of this annual report. This summary does not form part of the audited consolidated financial statements.

PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries of the Company are set out on pages 130 to 131 of this annual report.

USE OF PROCEEDS FROM THE A SHARE OFFERING

As approved by the document "Approval in Relation to Registration of the Initial Public Offering of Shanghai Haohai Biological Technology Co., Ltd." (Zheng Jian Xuke [2019] No. 1793) granted by CSRC, the Company was permitted to issue 17,800,000 ordinary shares (A Share) in RMB to the public at an issue price of RMB89.23 per Share. The total amount raised amounted to RMB1,588,294,000. After deducting the issuing expenses, the proceeds amounted to approximately RMB1,529,268,758. The share proceeds have been fully received, and have been verified by Ernst & Young Hua Ming LLP. The proceeds are held in dedicated accounts of the Company.

I. Management of share proceeds

In order to reinforce and regulate the management and use of the fund raised, enhance the efficiency and benefits of use of proceeds, and protect investors' interests, the Company formulates the "Share Proceeds Management System of Shanghai Haohai Biological Technology Co., Ltd." (the "**Management System**") in accordance with requirements of the applicable laws and regulations, together with the actual situation of the Company. According to the Management System, the Company adopts a dedicated account storage system for the share proceeds, establishes a dedicated account for the share proceeds in the bank, and signed the "Tripartite Supervision Agreement on Dedicated Account for Share Proceeds" with the sponsor UBS Securities Co., Ltd., Shanghai Songjiang Sub-branch of China Everbright Bank Co., Ltd. and Shanghai Putuo Sub-branch of Bank of Ningbo Co., Ltd., signed the "Quadripartite Supervision Agreement on Dedicated Account for Share Proceeds" with Shanghai Jianhua, the sponsor and Shanghai Putuo Sub-branch of Bank of Ningbo Co., Ltd., both of which clarified the rights and obligations of all parties. There is no significant difference between the above-mentioned supervision agreements and the model of supervision agreement of SSE. The Company has strictly followed the performance when using the share proceeds, in order to facilitate the management and use of the share proceeds and to monitor their use and ensure that the special funds are used exclusively.

II. Actual use of share proceeds

The Company strictly uses the share proceeds in accordance with the Management System. For details of the actual use of share proceeds by the raised capital investment projects, please refer to the "Comparison Table of Use of Share Proceeds of A Share Offering for 2021".

Comparison Table of Use of Share Proceeds of A Share Offering for 2021

Unit: RMB ten thousand

Net amount of share proceeds	152,926.88	Total share proceeds invested during the year	17,144.96
Total amount of share proceeds involving changes in investment purpose	–	Accumulated total of share proceeds investments	67,390.71
As a percentage of the total amount of share proceeds involving changes in investment purpose	–		

Committed projects	If changed (including partial changes)	Committed Total Investment from Proceeds	Total investment after Adjustments	Total Amount committed for Investment as of the end of the Reporting Period (1)	Total amount invested during the Reporting Period	Accumulated Amount Invested as of the end of the Reporting Period (2)	Difference between Accumulated Total Amount invested and the Total Amount Committed for Investment as of the end of the Reporting Period (3) = (2)-(1)	Investment Rate (%) as of the end of the Reporting Period (%) (4) = (2)/(1)	Date of project becoming Ready for Intended Use	Profits Achieved during the year	Whether the Expected profits have been achieved	Whether there ere any Material Changes in relation to the Feasibility of the Projects
Committed projects												
International Medical R&D and Industrialization Project by Shanghai Haohai Biological Technology Co., Ltd. (上海昊海生科國際醫藥研發及產業化項目)(note 1)	–	128,413.00	128,413.00	128,413.00	13,760.89	42,505.36	-85,907.64	33.10	2025	–	N/A(note 2)	No
Supplementary liquidity (note 3)	–	20,000.00	20,000.00	20,000.00	–	20,135.79	135.79	100.68	N/A	N/A	N/A	No
Subtotal of committed investment projects	–	148,413.00	148,413.00	148,413.00	13,760.89	62,641.15	-85,771.85	42.21	–	–	–	–
Surplus proceeds investment (note 4)												
Supplementary liquidity	–	1,300.00	–	–	–	–	–	–	N/A	N/A	N/A	No
Fengxian-base Phase I Construction Project of Shanghai Jianhua Fine Biological Products Company Limited (建華生物奉賢基地一期建設項目)	–	–	4,552.22	4,552.22	3,384.07	4,749.56	197.34	104.34	2021	–	N/A	No
Sub-total of surplus proceeds	–	1,300.00	4,552.22	4,552.22	3,384.07	4,749.56	197.34	104.34	–	–	–	–
Total	–	149,713.00	152,965.22	152,965.22	17,144.96	67,390.71	-85,574.51	44.06	–	–	–	–

Reasons for projects no progressing as scheduled (by specific fundraising projects)	The International Medical R&D and Industrialization Project by Shanghai Haohai Biological Technology Co., Ltd. ("**Project 208**") is planned to reach the intended usable state date at the end of 2023. However, the COVID-19 broke out at the beginning of 2020 and has been ravaging the world since then. Due to that, the construction personnel of Project 208 could not arrive in time as planned, resulting in the failure of the construction progress of Project 208 to come up to expectations. At the procurement stage of Project 208 engineering equipment, the procurement, delivery and acceptance of relevant equipment, particularly imported equipment, became more troublesome. This prolonged the equipment confirmation and delivery and slowed down the implementation of Project 208. Having regard to the current construction progress of the project and the use of share proceeds, Project 208 is expected to be postponed after prudent evaluation until the end of 2025 to reach a usable state, so as to tailor the construction results of Project 208 to the production and operation needs of the Company. The Company adjusts the implementation progress of Project 208 based on its particular implementation conditions and after prudent consideration. The adjustment only involves the postponement of the date when Project 208 reaches the intended usable state. It does not change the investment content, investment purpose, total investment amount and implementation subject of the share proceeds, or in disguised form change the investment of the share proceeds and damage to the interests of shareholders. In short, the adjustment will not have a material adverse effect on the normal production and operation of the Company. The above postponement was considered and approved at the 34th meeting of the fourth session of the Board and the 21st meeting of the fourth session of the Supervisory Committee of the Company, and the sponsor issued verification opinions thereon.
Explanation for material changes in the feasibility of projects	N/A.
Initial investment in share proceed projects and replacement with share proceeds	During the year of 2021, there is no initial investment in share proceed projects and replacement with share proceeds of the Company.
Idle share proceeds used for short-term liquidity	During the year of 2021, there is no idle share proceeds used for short-term liquidity of the Company.
Cash management of idle share proceeds and investment in related products	The Proposal on the Use of Temporarily Idle Share Proceeds for Cash Management was considered and approved at the 22nd meeting of the fourth session of the Board and the 13th meeting of the fourth session of the Supervisory Committee held on 28 December 2020. Pursuant to the proposal, the Company would use the temporarily idle share proceeds up to RMB1,056.00 million for cash management on the premise of not affecting the progression of the investment plan of the Company's share proceeds. The share proceeds will be used to purchase investment products with high security, good liquidity and guaranteed capital (including but not limited to agreement deposit, notice deposit, time deposit, large certificate of deposit and income certificate, etc.) for a period not exceeding the construction period of the fundraising investment project. The period will be valid for twelve months from the end of the resolution at the sixth and eighth meetings of the fourth session of the Board of the Company to the date of consideration and approval by the Board. Within the aforementioned quota and period, the Company can use it cyclically. The Proposal on the Use of Temporarily Idle Share Proceeds for Cash Management was considered and approved at the 30th meeting of the fourth session of the Board and the 18th meeting of the fourth session of the Supervisory Committee held on 20 December 2021. Pursuant to the proposal, the Company would use the temporarily idle share proceeds up to RMB980.00 million for cash management on the premise of not affecting the progression of the investment plan of the Company's share proceeds. The share proceeds will be used to purchase investment products with high security, good liquidity and guaranteed capital (including but not limited to agreement deposit, notice deposit, time deposit, large certificate of deposit and income certificate, etc.) for a period not exceeding the construction period of the fundraising investment project, which will be valid for twelve months from the date of consideration and approval by the Board. Within the aforementioned quota and period, the Company can use it cyclically. The sponsor has issued a verification opinion on the matter. In 2021, the Company used idle share proceeds to purchase investment products with high security, good liquidity and guaranteed capital, with an ending balance of RMB940,000,000.00, from Shanghai Songjiang Sub-branch of China Everbright Bank Co., Ltd.

Surplus share proceeds used for permanently replenishing liquidity or returning bank loans	During the year of 2021, the Company did not use surplus share proceeds for permanently replenishing liquidity or returning bank loans.
Surplus shares proceeds used for projects under construction and new projects	The Proposal on Changing the Use of Surplus Shares Proceeds and Using Remaining Surplus Shares Proceeds to Invest in the Fengxian-base Phase I Construction Project was considered and approved at the sixteenth meeting of the fourth session of the Board and the 10th meeting of the fourth session of the Supervisory Committee held on 14 May 2020. It was agreed that the Company would use the surplus shares proceeds of RMB32.4118 million (including interests) raised by the initial public offering and the surplus shares proceeds of RMB13.1104 million (including interest) previously used as permanently supplementary liquidity, totaling RMB45.5222 million (including interests), for investing in the Fengxian-base Phase I construction project of Shanghai Jianhua Fine Biological Products Company Limited. The Independent Directors issued an independent opinion with explicit consent. The proposal was considered and approved at the Company's 2019 annual general meeting on 29 June 2020, and the sponsor issued verification opinions thereon. In 2021, RMB33.8407 million surplus share proceeds were used for the above project. As of 31 December 2021, a total of accumulative RMB47.4956 million surplus share proceeds were invested in the above project, an increase of RMB1.9734 million over the total committed investment of RMB45.5222 million, representing the net interest income from the share proceeds of the project. The Fengxian-base Phase I construction project of Shanghai Jianhua Fine Biological Products Company Limited was completed and reached the intended usable state in 2021, except for the pharmaceutical production workshop which is in the stage of GMP certification.
Surplus share proceeds of projects and the reasons	N/A.
Other uses of share proceeds	During the year of 2021, there is no other uses of the share proceeds of the Company.

Note 1: The amounts in this column are tax-included amounts.

Note 2: As of 31 December 2021, the construction of the "International Medical R&D and Industrialization Project by Shanghai Haohai Biological Technology Co., Ltd." have not been completed.

Note 3: Supplementary liquidity has been invested a total of RMB201.3579 million, which is RMB1.3579 million more than the total committed investment of RMB200.00 million, which is the net interest income from the share proceeds of the project.

Note 4: Surplus share proceeds has been invested a total of RMB47.4956 million, which is RMB1.9734 million more than the total committed investment of RMB45.5222 million, which is the net interest income from the share proceeds of the project.

SHARE CAPITAL

Share capital of the Company as at 31 December 2021 was as follows:

	Number of shares	Percentage of total issued share capital
A Shares	137,800,000	78.375%
H Shares	38,022,100	21.625%

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

Details of the H Shares repurchased by the Company during the year ended December 31, 2021 are as follows:

Month of repurchase in 2021	No. of Shares repurchased	Highest price paid per Share (HK$)	Lowest price paid per Share (HK$)	Aggregate Consideration(1) (HK$'000)
April	362,700	67.05	63.00	23,748
May	437,300	70.00	66.80	29,953
December	90,400	50.50	49.70	4,541
Total	890,400			58,242

Note (1): The aggregate consideration excludes transaction fee.

Save as disclosed in this annual report, neither the Company nor its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

PRE-EMPTIVE RIGHTS AND ARRANGEMENTS ON OPTIONS OF SHARES

There are no provisions for pre-emptive rights for the shareholders of the Company under the PRC laws and the Articles of Association. During the Reporting Period, the Company did not have any arrangement on options of shares.

MAJOR SUPPLIERS AND CUSTOMERS

During the Reporting Period, the aggregate purchases attributable to the Group's five largest suppliers comprised 41.61% of the Group's total purchases for the year ended 31 December 2021, among which, the purchases attributable to the Group's largest supplier during the Reporting Period was 17.93%.

During the Reporting Period, the aggregate sales attributable to the Group's five largest customers comprised 13.56% of the Group's total sales for the year ended 31 December 2021, among which, the sales attributable to the Group's largest customer during the Reporting Period was 5.38%.

During the Reporting Period, none of the Directors or their close associates or shareholders which, to the knowledge of the Directors, owned more than 5% of the Company's total issued shares had any beneficial interest in the five largest suppliers or customers of the Group.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Company and its subsidiaries during Reporting Period are set out in note 13 to the financial statements.

RESERVES

As at 31 December 2021, the amount of the Company's reserves available for distribution calculated in accordance with the relevant rules and regulations of the PRC is RMB857,070,000.

TAX RELIEF AND EXEMPTION

Saved as disclosed in this annual report, the Company is not aware that any holders of securities of the Company are entitled to any tax relief or exemption by reason of their holding of such securities.

BANK LOANS AND OTHER BORROWINGS

As at 31 December 2021, NIMO and Bioxis, both subsidiaries of the Company had interest bearing bank borrowings of approximately RMB25.18 million and EUR0.68 million (equivalent to approximately RMB4.91 million), respectively.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

REPORT OF THE DIRECTORS

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The following table sets forth the particulars of the Directors, Supervisors and senior management as at the end of the Reporting Period and as at the date of this annual report:

Name	Capacity
Dr. Hou Yongtai	Chairman and Executive Director
Mr. Wu Jianying	Executive Director and General Manager
Mr. Tang Minjie	Executive Director and Chief Financial Officer
Ms. Chen Yiyi	Executive Director
Ms. You Jie	Non-executive Director
Mr. Huang Ming	Non-executive Director
Ms. Li Yingqi	Independent Non-executive Director
Mr. Jiang Zhihong	Independent Non-executive Director
Mr. Su Zhi	Independent Non-executive Director
Mr. Yang Yushe	Independent Non-executive Director
Mr. Zhao Lei	Independent Non-executive Director
Mr. Liu Yuanzhong	Chairman of the Supervisory Committee and Shareholder Supervisor
Ms. Yang Qing	Independent Supervisor
Mr. Tang Yuejun	Independent Supervisor
Mr. Wei Changzheng	Employee representative Supervisor
Mr. Yang Linfeng	Employee representative Supervisor
Ms. Ren Caixia	Deputy general manager
Mr. Zhang Jundong	Deputy general manager
Mr. Wang Wenbin	Deputy general manager
Ms. Tian Min	Secretary of the Board and one of the joint company secretaries

CONFIRMATION OF INDEPENDENCE BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from all Independent Non-executive Directors, the confirmation letters of their independence pursuant to Rule 3.13 of the Hong Kong Listing Rules. Based on their confirmations, the Company considers that all Independent Non-executive Directors are independent.

PARTICULARS OF THE PROFILES OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

See “Profits of Directors, Supervisors and Senior Management” under this annual report for biographical details of Directors, Supervisors and senior management of the Company. Save as disclosed in that section, up to the date of this annual report, there were no changes in information of the Directors, Supervisors or chief executive which shall be disclosed pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of our Directors (including our non-executive and Independent Non-executive Directors) has entered into a service contract with our Company for a term of three years subject to termination in accordance with their respective terms. Each of the Supervisors has entered into a service contract with our Company for a term of three years and in respect of, among others, compliance with relevant laws and regulations, observation of the Articles of Association and provision on arbitration.

None of the Directors or Supervisors has or is proposed to have a service contract with any member of our Group which is not determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation).

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Except as disclosed in this annual report, no Director or Supervisor had a material interest, directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group or its subsidiaries, to which the Company or any of its subsidiaries and controlling companies or any of its subsidiaries entered into during or at the end of the Reporting Period.

CONTRACT OF SIGNIFICANCE

Except as disclosed in this annual report, during the Reporting Period, no contracts of significance in respect of provision of services or otherwise were entered into between the Company or its subsidiaries and the controlling shareholders.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

In order to restrict competition activities with the Company, our controlling shareholders, Ms. You Jie (who is also a non-executive Director of the Company) and Mr. Jiang Wei (who is the spouse of Ms. You Jie) (collectively, the "**Covenantors**") have entered into a deed of non-competition in favour of the Company dated 8 December 2014 (the "**Deed of Non-Competition**"). The undertakings and covenants stipulated under the Deed of Non-Competition cover any business which is or may be in competition with the Core Operations (as defined therein) or the business of any member of our Group from time to time within the territories of Hong Kong and the PRC and such other parts of the world where such businesses are carried on by any member of our Group.

In determining whether the Covenantors had fully complied with the non-competition undertakings during the year ended 31 December 2021, the Company noted that (a) the Covenantors declared that they had fully complied with the non-competition undertakings in the Non-Competition Deed as at 31 December 2021, (b) no new competing business was reported by the Covenantors as at 31 December 2021, (c) there was no particular situation rendering the full compliance of the non-competition undertakings being questionable, and (d) the Independent Non-executive Directors had reviewed the compliance of non-competition undertakings by the Covenantors as part of the annual review process stipulated in the Deed of Non-Competition.

During the year ended 31 December 2021, the Directors were not aware of any business or interest of the Directors, Supervisors or any substantial shareholder (as defined in the Hong Kong Listing Rules) of the Company and their respective associates that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

INDEMNITY OF THE DIRECTORS

Pursuant to provisions of the Articles of Association, the Company may insure against the various possible legal risks faced by the Directors, Supervisors, general manager and other senior management in the ordinary course of performing their duties and the Company has arranged appropriate liability insurance for the Directors, Supervisors and senior management of the Company.

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of emoluments of Directors, Supervisors, senior management and five highest paid individuals of the Company are set out in notes 8 and 9 to the financial statements. During the Reporting Period, there was no arrangement under which any Directors or Supervisors of the Company waived their remuneration.

Executive Directors are remunerated according to their performance appraisal in accordance with the specific management positions they hold in the Group and are no longer separately remunerated as Directors, such remuneration will be determined by the Board. Non-executive Directors (including Independent Non-executive Directors) are remunerated at a fixed rate and should be determined by the Shareholders at the general meetings of the Company with reference to his/her background, experience and duties and responsibilities with the Company and the prevailing market conditions. Ms. You Jie, a non-executive Director, is not remunerated as a Director.

Remuneration of senior management members of the Company set out in this annual report, other than Directors and Supervisors, falls within the following bands:

Band	Number
RMB0-600,000	–
RMB600,001-1,000,000	4

REMUNERATION OF EMPLOYEES AND POLICIES

As at 31 December 2021, the Group had 1,892 employees in total. The remuneration package for our employees generally includes salary, allowances and bonuses. Employees can also receive benefits such as housing allowance and social insurance. The particulars of the employees of the Company are set out in note 6 to the financial statements.

PENSION SCHEME

Pursuant to the provisions of the relevant laws and regulations of the PRC, the Group is required to participate in contribution to retirement benefit schemes established by the relevant provincial and municipal government authorities. The Group and its employees are required to make contributions, at certain percentages of employees' total salaries, to the retirement benefit scheme in accordance with such scheme. Upon retirement, employees will receive the pension issued by the provincial and municipal government authorities on a monthly basis.

Details of the Company's pension scheme are set out in note 6 to the financial statements.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

None of the Directors or Supervisors or their respective associates (as defined in the Hong Kong Listing Rules) was granted by the Company or its subsidiaries any rights or options to acquire any shares in or debentures of the Company or had exercised any such rights during the Reporting Period.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2021, the interests or short positions of the Directors, supervisors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 of the Hong Kong Listing Rules were as follows:

Name	Number of H Shares of the Company (shares)	Number of A Shares of the Company (shares)	Approximate percentage of total issued H Shares (%)	Approximate percentage of total issued A Shares (%)	Approximate percentage of total issued share capital (%)	Capacity in which interests are held
You Jie[1]		28,800,000 (L)		20.90	16.38	Beneficial owner
		50,920,000 (L)		36.95	28.96	Interest of spouse
Hou Yongtai[2]		6,000,000 (L)		4.35	3.41	Beneficial owner
Wu Jianying		6,000,000 (L)		4.35	3.41	Beneficial owner
Huang Ming		2,000,000 (L)		1.45	1.14	Beneficial owner
Chen Yiyi		400,000 (L)		0.29	0.23	Beneficial owner
Liu Yuanzhong		2,000,000 (L)		1.45	1.14	Beneficial owner
Tang Minjie	7,000 (L)		0.02		0.004	Beneficial owner

Note: L denotes long position

1. Ms. You Jie directly holds 28,800,000 A Shares of the Company. She is the spouse of Mr. Jiang Wei and therefore she is deemed under the SFO to be interested in the 44,449,000 A Shares directly held by Mr. Jiang Wei and 6,471,000 A Shares held through Shanghai Zhanze Corporate Management Partnership Enterprise (Limited Partnership) in the Company.

2. On 10 September 2021, the Company received from Dr. Hou Yongtai a written document in relation to the plan of reduction of his shareholding in A Shares (the "**Reduction Plan**"). During the Reporting Period, Dr. Hou Yongtai did not reduce his holdings of A Shares under the Reduction Plan. On 17 January 2022, Dr. Hou Yongtai reduced his shareholding of 18,000 A Shares through block trade. For details, please refer to the relevant announcements of the Company published on the website of SSE on 11 September 2021, 12 January 2022 and 13 April 2022, respectively and the website of the Hong Kong Stock Exchange on 10 September 2021, 11 January 2022 and 12 April 2022, respectively.

Save as disclosed above, to the best knowledge of the Directors, as at 31 December 2021, none of the other Directors, Supervisors or any of their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations which are required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2021, to the knowledge of the Directors of the Company, the interests or short positions of persons other than Directors, chief executives or Supervisors of the Company in the shares and underlying shares of the Company as recorded in the register which were required to be notified to the Company and Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance or recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows. In the event of changes in the shareholding of the shareholders in the Company, the shareholders will not be required to notify the Company and the Hong Kong Stock Exchange unless certain conditions are met. Therefore, the latest shareholding of the shareholders in the Company may be different from the shareholding submitted to the Hong Kong Stock Exchange.

SUBSTANTIAL SHAREHOLDERS HOLDING A SHARES OF THE COMPANY

Name	Number of A Shares (shares)	Approximate percentage of total issued A Shares (%)	Approximate percentage of total issued share capital (%)	Capacity in which interests are held
Jiang Wei[1]	44,449,000 (L)	32.26	25.28	Beneficial owner
	28,800,000 (L)	20.90	16.38	Interest of spouse
	6,471,000 (L)	4.70	3.68	Interest of corporation controlled by the substantial shareholder
Shanghai Zhanxi Corporate Management Limited Company[2]	6,471,000 (L)	4.70	3.68	Interest of corporation controlled by the substantial shareholder
Shanghai Zhanze Corporate Management Partnership Enterprise (Limited Partnership)[2]	6,471,000 (L)	4.70	3.68	Beneficial owner
Lou Guoliang	7,125,075 (L)	5.17	4.05	Beneficial owner

Note: L denotes long position

1. Mr. Jiang Wei directly holds 44,449,000 A Shares. He is the spouse of Ms. You Jie, our non-executive Director, and therefore he is deemed under the SFO to be interested in the 28,800,000 A Shares held by Ms. You Jie in the Company. He holds 6,471,000 A Shares through his interest in controlling Shanghai Zhanze Corporate Management Partnership Enterprise (Limited Partnership) and its executive partner Shanghai Zhanxi Corporate Management Limited Company.

2. Each of Shanghai Zhanze Corporate Management Partnership Enterprise (Limited Partnership) and its executive partner Shanghai Zhanxi Corporate Management Limited Company is deemed to be interested in such shares.

SUBSTANTIAL SHAREHOLDERS HOLDING H SHARES OF THE COMPANY

Name	Number of H Shares (shares)	Approximate percentage of total issued H Shares (%)	Approximate percentage of total issued share capital (%)	Capacity in which interests are held
Kabouter Management LLC[1]	1,167,739 (L)	3.07	0.66	Investment Manager
	2,356,992 (L)	6.20	1.34	Interest of corporation controlled by the substantial shareholder
Templeton Investment Counsel, LLC	2,625,700 (L)	6.91	1.49	Investment Manager
Dalton Investments LLC	2,254,700 (L)	5.93	1.28	Investment Manager
The Bank of New York Mellon Corporation[2]	2,177,020 (L)	5.73	1.24	Interest of corporation controlled by the substantial shareholder
Prudence Investment Management (Hong Kong) Limited	1,969,600 (L)	5.18	1.12	Investment Manager

Notes: L denotes long position

(1) Under the SFO, Kabouter Management LLC was deemed to have interest in long position of 2,356,992 H Shares (both Kabouter International Insight Fund, LLC and Kabouter Emerging Markets Fund, LLC were wholly owned by Kabouter Management LLC, and was beneficially holding long position of 2,259,585 H Shares and long position of 97,407 H Shares in the Company, respectively).

(2) The Bank of New York Mellon was wholly owned by The Bank of New York Mellon Corporation, and therefore, The Bank of New York Mellon Corporation was deemed to have interest in long position of 2,177,020 H Shares in the Company held by The Bank of New York Mellon under the SFO.

(3) The disclosure is based on the information available on the website of the Hong Kong Stock Exchange (www.hkexnews.com.hk).

Save as disclosed above, as at 31 December 2021, to the best knowledge of the Directors, there were no other persons who had interests or short positions in the shares or underlying shares of the Company, which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

2021 RESTRICTED A SHARE INCENTIVE SCHEME

On 29 December 2021, the Board proposed to adopt the 2021 Restricted A Share Incentive Scheme, which was approved and adopted by its Shareholders at the 2022 extraordinary general meeting, the 2022 first A Shareholders' class meeting and the 2022 first H Shareholders' class meeting held on 7 March 2022.

I. Purpose of the Incentive Scheme

To further perfect the Company's corporate governance structure, establish and improve the Company's long-term incentive mechanism, attract and retain the Company's core management personnel, core technical or operational personnel, fully mobilize their enthusiasm and creativity, effectively strengthen the cohesion of the core team and the competitiveness of the Company, align the interests of the shareholders, the Company and the core staff members, bring their attention to the long-term development of the Company and ensure that the Company's development strategy and business goals shall be realized.

II. Form and Source of the Restricted Shares to be Granted

The form of incentive adopted under the Incentive Scheme is Restricted Shares. The source of all Restricted Shares under the Incentive Scheme will be new ordinary A Shares to be issued by the Company to the Participants.

III. Number of the Restricted Shares to be Granted

The total number of Restricted Shares to be granted under the Incentive Scheme will be not more than 1,800,000 A Shares, representing approximately 1.31% of the total number of issued A Shares and approximately 1.02% of the total issued share capital of the Company as at the date of this annual report, amongst which 360,000 A Shares (the "**Reserved Grant**"), representing approximately 20.00% of the total number of Restricted Shares under the Incentive Scheme, will be reserved for the Reserved Grant in a subsequent period, which shall be within 12 months after the adoption of the Incentive Scheme.

IV. Participants of the Incentive Scheme

The participants under the Incentive Scheme (the "**Participants**") include directors, members of the senior management, core technical staff of the Company and its subsidiaries, and other persons of the Group considered by the Board to be required to be incentivized of the Group (excluding independent non-executive Directors, Supervisors, persons who individually or jointly hold or control 5% or more of the total issued share capital of the Company or their spouses, parents and children).

V. Grant Price of the Restricted Shares

On 11 March 2022, the Board has resolved to grant 1,440,000 Restricted Shares (the "**First Grant**") to 204 Participants at the grant price of RMB95.00 per A Share (the "**Grant Price**") on the Grant Date, being 11 March 2022, under the First Grant.

The grant price of the Reserved Grant shall be the same as the Grant Price of the First Grant, i.e. RMB95.00 per A Share.

VI. Validity Period, Attribution Arrangements and Black-Out Periods

The Incentive Scheme will become effective upon the Grant Date of the First Grant, and shall be valid until the date on which all Restricted Shares have been attributed or lapsed. Such period shall not exceed 36 months.

Subject to the attribution conditions having been fulfilled, the Restricted Shares may be attributed to the Participants in tranches 12 months after the Grant Date. An attribution date must be a trading day within the validity period of the Incentive Scheme, and shall not fall within any of the periods during which the listing rules of the place where the Company's securities are listed prohibit the attribution. Within the validity period of the Incentive Scheme, if the relevant provisions of the listing rules of the place where the Company's securities are listed on the attribution period change, the attribution date for the Participants shall conform to the provisions of the revised relevant laws, regulations and normative documents.

Attribution arrangements of the First Grant under the Incentive Scheme are as follows:

Tranche	Attribution Period	Attribution Percentage
First tranche	From the first trading day after the expiry of 12 months following the Grant Date of the First Grant until the last trading day within the 24 months following the Grant Date of the First Grant	50%
Second tranche	From the first trading day after the expiry of 24 months following the Grant Date of the First Grant until the last trading day within the 36 months following the Grant Date of the First Grant	50%

Attribution arrangements of the Reserved Grant under the Incentive Scheme are as follows:

Tranche	Attribution Period	Attribution Percentage
First tranche	From the first trading day after the expiry of 12 months following the Grant Date of the Reserved Grant until the last trading day within the 24 months following the Grant Date of the Reserved Grant	50%
Second tranche	From the first trading day after the expiry of 24 months following the Grant Date of the Reserved Grant until the last trading day within the 36 months following the Grant Date of the Reserved Grant	50%

Those Restricted Shares which have not been attributed during the period of their respective tranches as a result of failure to fulfil the attribution conditions are not allowed to be deferred to be attributed in the next attribution period(s) and shall lapse.

There is no additional black-out period for the Restricted Shares under the Incentive Scheme upon attribution. The requirements of black-out are implemented in accordance with relevant laws, regulations and regulatory documents including the Company Law and the Securities Law of the People's Republic of China and the Article of Association.

Further details of the 2021 Restricted A Share Incentive Scheme are set out in the Company's announcements dated 29 December 2021 and 11 March 2022, and the circular dated 15 February 2022.

PUBLIC SHAREHOLDINGS

Based on the public information available to the Company and so far as the Directors are aware, up to the date of this annual report, at least 25% of the issued share capital of the Company is held by the public.

CONNECTED TRANSACTIONS

I. Entering into the Spray Pump Customization Agreement

On 26 March 2021 (after trading hours), the Company entered into the Spray Pump Customization Agreement with Haohai Technology (Changxing) Company Limited (昊海科技(長興)有限公司) ("**Haohai Changxing**"), pursuant to which the Company agreed to engage Haohai Changxing to process spray pumps for use in the Company's product packaging until 31 December 2023. At that time, Haohai Changxing is held indirectly as to 49% by Mr. Jiang Wei, a controlling shareholder of the Company and the spouse of Ms. You Jie, also a controlling shareholder of the Company and a non-executive Director. Ms. You Jie separately indirectly controls 51% in Haohai Changxing. Haohai Changxing is therefore a connected person of the Company under the Hong Kong Listing Rules and the transactions contemplated under the Spray Pump Customization Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the applicable percentage ratios stipulated under Rule 14.07 of the Hong Kong Listing Rules in respect of the transactions contemplated under the Spray Pump Customization Agreement are more than 0.1% but less than 5%, the transactions contemplated under the Spray Pump Customization Agreement are subject to reporting, announcement and annual review requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

In 2021, the Company's total transaction amount with Haohai Changxing contemplated under Spray Pump Customization Agreement was RMB6,123,816. The annual cap for the year 2021 was RMB7,600,000.

The above annual caps were determined according to (1) the historical procurement volume of the Company, actual market conditions and unexpected market events such as the Pandemic being declared in 2020; (2) the expected growth of sales volume of relevant products; and (3) the prevailing price in market.

During the Reporting Period, the Company followed the pricing policies and mechanisms set out in the agreement for the above continuing connected transaction when determining the prices and terms of those transaction.

The Independent Non-executive Directors have reviewed the above continuing connected transactions for the year ended 31 December 2021 and have confirmed that these continuing connected transactions were: (1) entered into in the ordinary and usual course of business of the Group; (2) entered into on normal commercial terms or better to the Group; and (3) in accordance with the terms of respective agreements governing the transactions that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Ernst & Young, the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong standards on Assurance Engagement 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions Under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Hong Kong Listing Rules. A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange.

II. Acquisition of 9% Interest in Contamac Holdings

On 21 May 2021 (after trading hours), Haohai Healthcare Holdings (BVI) Co., Ltd. ("**Haohai BVI**", an indirect wholly-owned subsidiary of the Company) and Mr. John Alexander McGregor (the "**Seller**") entered into the Share Purchase Agreement pursuant to which the Seller agreed to sell and Haohai BVI agreed to buy 9% interest in Contamac Holdings (a subsidiary, 70% interest in which has been indirectly owned by the Company prior to the Transaction) for a consideration of £5,974,470 (equivalent to approximately RMB53,942,000) (the "**Transaction**"). Upon completion of the Transaction, Haohai BVI became the holder of 79% interest in the Contamac Holdings.

The Seller is the father of Mr. Robert John McGregor, a director of the Contamac Holdings. As Mr. Robert John McGregor is a connected person of the Company, the Seller is an associate of a connected person of the Company. Accordingly, the Transaction constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. As the applicable percentage ratios in respect of the Transaction are more than 0.1% but less than 5%, the Transaction is only subject to the reporting and announcement requirements but exempt from the circular and independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

III. Grant of Restricted Shares to Connected Participants

As disclosed in "2021 Restricted A Share Incentive Scheme" above, the 2021 Restricted A Share Incentive Scheme was approved and adopted by its Shareholders at the 2022 extraordinary general meeting, the 2022 first A Shareholders' class meeting and the 2022 first H Shareholders' class meeting held on 7 March 2022.

The Restricted Shares under the First Grant will be granted to the participants at the grant price of RMB95 per A Share according to the 2021 Restricted A Share Incentive Scheme. Among such participants, Dr. Hou Yongtai, Mr. Wu Jianying, Mr. Tang Minjie and Ms. Chen Yiyi are executive Directors; Ms. Jiang Lixia, Ms. Jin Sha, Ms. Tian Min, Ms. Huang Ling, Ms. Li Zirui, Ms. Huang Rongrong, Mr. Robert John McGregor, Mr. David Simon Wyatt, Mr. Mak Cheung Kwai Anthony and Mr. Robert Edward Lewis are directors or supervisors of one or more subsidiaries of the Company; and Ms. Sheng Ailian is the spouse of Mr. Wei Changzheng, a Supervisor. Each of them is a connected person under Chapter 14A of the Hong Kong Listing Rules. A total of 345,000 Restricted Shares under the First Grant were granted to these 15 Connected Participants on 11 March 2022.

Accordingly, the issue and grant of the Restricted Shares to the Connected Participants under the 2021 Restricted A Share Incentive Scheme constitutes non-exempt connected transactions of the Company, and is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Further details of the 2021 Restricted A Share Incentive Scheme and the grant of Restricted Shares to the Connected Participants are set out in the Company's announcements dated 29 December 2021, 7 March 2022 and 11 March 2022, and the circular dated 15 February 2022.

Save as disclosed above, during the year ended 31 December 2021, the Group had not entered into any connected transactions or continuing connected transactions which were subject to disclosure in this annual report under Chapter 14A of the Hong Kong Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter14A of the Hong Kong Listing Rules.

Information on connected transactions effective during the Reporting Period are contained in note 40 to the financial statements in this annual report, among which, note 40(b) is fully exempt connected transactions pursuant to the Rule 14A.76 of the Hong Kong Listing Rules.

The related party transactions in respect of the remuneration of Directors, Supervisors and chief executives of the Company constitute continuing connected transactions as defined in Chapter 14A of the Hong Kong Listing Rules. However, these transactions are exempt from reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. The related party transactions in respect of the remuneration of key management personnel (other than Directors, Supervisors and chief executives) of the Company were not connected transactions or continuing connected transactions as defined in Chapter 14A of the Hong Kong Listing Rules.

RELATED PARTY TRANSACTIONS

The details on the related party transactions of the Group for the year ended 31 December 2021 are set out in note 40 to the financial statements in this annual report.

Save as disclosed above, none of the related party transactions constituted a connected transaction or continuing connected transaction which is subject to the shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Hong Kong Listing Rules throughout the Reporting Period.

CORPORATE GOVERNANCE CODE

The Company had complied with all applicable code provisions under the Corporate Governance Code as set out in Appendix 14 of the Hong Kong Listing Rules throughout the Reporting Period. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the Corporate Governance Code.

COMPLIANCE WITH THE MODEL CODE

The Company had adopted the Model Code as the code of conduct regarding securities transactions by the Directors and Supervisors of the Company. Having made specific enquiries to all Directors and Supervisors of the Company, all of them confirmed that they have complied with the required standard set out in the Model Code during the Reporting Period.

DONATIONS

During the Reporting Period, the Group made donations of RMB889,534.13.

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the Reporting Period. So far as the Directors are aware, there is no material litigation or claims which are pending or threatened against the Company.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference. As at the date of this report, the Audit Committee comprises five Directors, namely Ms. Li Yingqi (Chairlady), Ms. You Jie, Mr. Jiang Zhihong, Mr. Su Zhi and Mr. Zhao Lei. The primary duties of the Audit Committee are to review and supervise the Company's financial reporting procedures, risk management and internal control systems. The Board held a meeting on 26 August 2021 to authorize the Audit Committee to oversee the environmental, social and governance ("**ESG**") work of the Group to promote the development and implementation the Group's ESG work. The 2021 annual results and financial statements of the Group for the year ended 31 December 2021 prepared in accordance with International Financial Reporting Standards have been reviewed by the Audit Committee.

AUDITORS

Ernst & Young has been appointed as Auditors in respect of the financial statements for the year ended 31 December 2021 prepared in accordance with International Financial Reporting Standards. These financial statements have been audited by Ernst & Young. Since the date of preparation for the listing on the Hong Kong Stock Exchange, the Company has been engaging Ernst & Young for their services. Ernst & Young will retire and, being eligible, offer themselves for reappointment at the forthcoming annual general meeting.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE HONG KONG LISTING RULES

The Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Hong Kong Listing Rules.

By order of the Board
Hou Yongtai
Executive Director and Chairman of the Board

28 March 2022

CORPORATE GOVERNANCE REPORT

The Company and its subsidiaries are committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability.

SUMMARY OF CORPORATE GOVERNANCE

The Company has established a corporate governance structure comprising general meeting, the Board, Supervisory Committee and the management in accordance with Company Law, the Securities Law of the People's Republic of China and the Listing Rules of the place where the Shares are listed. Such structure gives a clear division of authority and responsibilities among the authority, decision-making and regulatory bodies and the management, and creates a balanced mechanism and mutual coordination for standard operation.

CORPORATE GOVERNANCE CODE

During the Reporting Period, the Company has complied with all the code provisions set out in Corporate Governance Code and adopted substantially all the recommended best practices therein.

THE BOARD

The Board exercises its authority in accordance with the provisions as set out in the Articles of Association. It reports its work at general meetings, implements the resolutions passed at general meetings and is accountable to the general meetings.

COMPOSITION AND TERM OF OFFICE OF THE BOARD

As at the end of the Reporting Period, the Board comprised of eleven members, consisting of four executive Directors, two non-executive Directors and five Independent Non-executive Directors. Listed below are incumbent Directors of the Company during the Reporting Period:

Executive Directors
Dr. Hou Yongtai *(Chairman)*
Mr. Wu Jianying *(General Manager)*
Mr. Tang Minjie *(Chief Financial Officer)*
Ms. Chen Yiyi

Non-executive Directors
Ms. You Jie
Mr. Huang Ming

Independent Non-executive Directors
Ms. Li Yingqi
Mr. Jiang Zhihong
Mr. Su Zhi
Mr. Yang Yushe
Mr. Zhao Lei

During the Reporting Period, the Board had complied with the requirements of the Hong Kong Listing Rules on appointment of at least three Independent Non-executive Directors, representing at least one-third of members of the Board and at least one of whom shall have appropriate professional qualifications, or accounting or relevant financial management expertise. The qualifications of the five Independent Non-executive Directors of the Company fully comply with the requirements of Rules 3.10(1) and (2) of the Hong Kong Listing Rules.

None of the Independent Non-executive Directors of the Company has any business or financial interests in the Company and its subsidiaries, nor do they hold any executive positions in the Company, which effectively guaranteed their independence. The Company has received from each of the Independent Non-executive Directors an annual confirmation of their independence under Rule 3.13 of the Hong Kong Listing Rules. Accordingly, the Company is of the opinion that all the Independent Non-executive Directors are independent under Rule 3.13 of the Hong Kong Listing Rules.

The detailed biographies of the Directors are set out on pages 107 to 111 of this annual report. Members of the Board do not have any relationships between each other (including financial, business, family or other material or related relations). The Board is well-balanced in structure and each of its members possesses extensive knowledge, experience and talent in relation to the business operation and development of the Company. All the Directors are well aware of their joint and several responsibilities towards the shareholders of the Company.

Meetings of the Board

According to the Articles of Association, meetings of the Board shall be held at least four times a year. Meetings shall be convened by the chairman of the Board. Notice of the meetings shall be sent to all Directors and Supervisors before the meeting is held under the relevant provisions.

A meeting of the Board shall be attended by more than half of all the Directors. Meetings of the Board shall be attended by the Directors in person. If a Director cannot attend a meeting for any reason, he may appoint in writing another Director as his proxy to attend the meeting on his behalf. The instrument of proxy shall specify the scope of authority.

During the Reporting Period, the Board held 9 meetings in total, with details of the attendance of Directors specified as follows:

Name	Meetings attended/ Meetings eligible to attend
Mr. Hou Yongtai	9/9
Mr. Wu Jianying	9/9
Ms. Chen Yiyi	9/9
Mr. Tang Minjie	9/9
Ms. You Jie	9/9
Mr. Huang Ming	9/9
Ms. Li Yingqi(1)	8/9
Mr. Jiang Zhihong	9/9
Mr. Su Zhi	9/9
Mr. Yang Yushe	9/9
Mr. Zhao Lei	9/9

Notes:

(1) Ms. Li Yingqi, a non-executive Director, was unable to attend the twenty-eighth meeting of the fourth session of the Board convened on 28 October 2021 by the Company due to her other business commitments, and has appointed another Director as her proxy to attend the meeting and vote on her behalf.

Authority Exercised by the Board and the Management

The functions and powers of the Board and the management are well defined in the Articles of Association, aiming to provide an adequate balance and restriction mechanism for the purpose of sound corporate governance and internal control.

The management of the Company is accountable to the Board. Under the leadership of the General Manager, the management is responsible for implementing the resolutions duly approved by the Board, formulating specific regulations of the Company and supervising the daily operation and management of the Company.

Directors' Continuous Training and Development

Pursuant to code provision A.6.5 of the Corporate Governance Code (which has been re-numbered as C.1.4 since 1 January 2022), all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

During the Reporting Period, according to the records maintained by the Company, all Directors participated in the online training regarding the "Exchange's New ESG Requirements" provided by the Hong Kong Stock Exchange. Besides, some Directors also attended various training courses organized by relevant regulatory authorities, the training session covered a wide range of relevant topics, including directors' duties and responsibilities and experience sharing, rules on the information disclosure.

Chairman and General Manager

Pursuant to code provision A.2.1 of the Corporate Governance Code (which has been re-numbered as C.2.1 since 1 January 2022), the roles of the Chairman and the chief executive officer (the Company's General Manager) should be segregated and should not be performed by the same individual. During the Reporting Period, Dr. Hou Yongtai acted as the Chairman and Mr. Wu Jianying acted as the General Manager. The Chairman and the General Manager do not have any relationships (including financial, business, family or other material or connected relationship). The Articles of Association have defined the division of roles and duties between the Chairman and the General Manager.

Appointment and Re-election of Directors

Pursuant to the requirements of the Articles of Association, Directors (including non-executive Directors) shall be elected at the general meeting with a term of three years. A Director shall be eligible for re-election on the expiry of each term. The Company has implemented a set of effective procedures for appointment of new Directors. The nomination of new Directors shall be first deliberated by the Nomination Committee of the Board and then submitted to the Board, subject to approval by election at the general meeting.

Where vacancies on the Board exist, the Nomination Committee evaluates skills, knowledge and experience required by the Board, and identifies if there are any special requirements for the vacancy. The Nomination Committee identifies appropriate candidates and convenes Nomination Committee meeting to discuss and vote in respect of the nominated Directors, and recommends candidates for Directors to the Board.

The Nomination Committee considers candidates with individual skills, experience and professional knowledge that can best assist and facilitate the effectiveness of the Board.

The Nomination Committee takes the policy on Board diversity of the Company into consideration when it considers the balance of composition of the Board as a whole.

The Company has in place a Director nomination policy. For evaluating and determining the candidates of Directors, the Nomination Committee and the Board of Directors shall consider the following factors: personal characters; professional qualifications, skills, knowledge, and experience related to the Group's business and strategy; willing to devote sufficient time to fulfill the duties of the Directors and members of the special committees of the Board of Directors; whether their appointment is in compliance with the requirements of the Listing Rules of the places where the Shares are listed regarding the independence of the Board of Directors and Directors (including the independence requirements of Independent Non-executive Directors); whether their appointment is in compliance with the Company's Board diversity policy and any measurable targets adopted by the Nomination Committee to diversify the members of the Board.

The nomination procedures for company Directors include:

I. Nomination procedures for appointment of new Directors

Upon receipt of the proposal on appointment of new Director and the biographical information of the candidate, the Nomination Committee should require the nominee to submit biographical information and the consent to be appointed as a Director, and evaluate the candidate based on the criteria for Director selection to determine whether such candidate is qualified for Directorship. The Nomination Committee should then make recommendations to the Board on the appointment of a suitable candidate to serve as a Director; if an Independent Non-executive Director is to be appointed, the recommendations should include the process of identifying the candidate, the reasons for recommending the candidate, the independence of the candidate, the views, perspectives, skills and experience that the candidate can bring to the Board, the candidate's role in promoting the diversity of Board members, etc..

II. Re-election of Directors at shareholders' meeting

The Nomination Committee should review the overall contribution and service to the Company of the retiring Directors, including its attendance at Board meetings and general meetings (if applicable), and his/her level of participation and performance on the Board. The Nomination Committee should require the nominee to submit biographical information and the consent to be appointed as a Director; and should review and determine whether retiring Directors still meet the criteria for Director selection. The Nomination Committee should then make recommendations to the Board on the re-election of Directors; if an Independent Non-executive Director is to be re-elected, the recommendations should include the process of identifying the candidate, the reasons for recommending the candidate, the independence of the candidate, the views, perspectives, skills and experience that the candidate can bring to the Board, the candidate's role in promoting the diversity of Board members, etc..

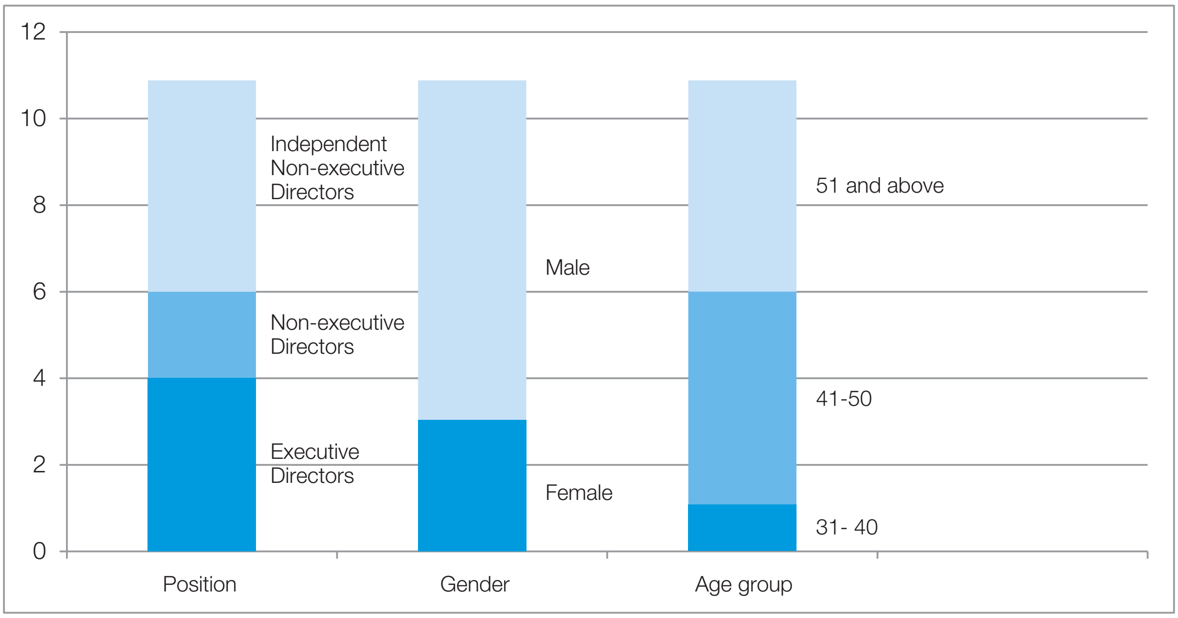
Board Diversity Policy

In accordance with the requirements of Corporate Governance Code and Corporate Governance Report, the Company has adopted a board diversity policy and submitted to the Board for approval. The policy is summarized as below:

The Board has adopted a policy on board diversity (the "**Diversity Policy**"). The Diversity Policy specifies that in designing the composition of the Board, Board diversity shall be considered from a number of aspects, including but not limited to age, cultural and educational background, professional experience, skills and knowledge. The appointment of Directors will be based on meritocracy, and candidates will be evaluated against objective criteria, having due regard for the benefits of diversity of the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, culture, ethnicity and educational background, professional experience, knowledge and skills.

The Nomination Committee will disclose the composition of the Board in Corporate Governance Report every year and supervise the implementation of this Diversity Policy. The Nomination Committee will review the effectiveness of this Policy, as appropriate discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

During the Reporting Period, the diversity of the Board is illustrated as below. Further details on the biographies and experience of the Directors are set out on page 107 to page 111 of this annual report.



The Nomination Committee has reviewed the membership, structure and composition of the Board, and is of the opinion that the structure of the Board is reasonable, and the experiences and skills of the Directors in various aspects and fields can enable the Company to maintain high standard of operation.

During the Reporting Period, the Board has not set any measurable objectives: in addition to meeting the requirements of the Company Law, the STAR Market Listing Rules, and the Hong Kong Listing Rules, the selection of candidates will be based on a range of diversified areas, including but not limited to gender, age, professional experience, education background and term of service. The final decision will be based on the strengths of the candidate and the contributions he can make to the Board. The Nomination Committee considers that the Board has maintained an appropriate balance in all aspects of member diversity, and satisfy with the current situation.

Directors' and Senior Management's Liability Insurance

The Company has entered into Directors' and senior management's liability insurance policy to cover any possible legal action against them.

Corporate Governance Function

The Board is collectively responsible for the duties relating to corporate governance. During the Reporting Period, the Board has mainly performed the following duties relating to corporate governance:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review the effectiveness of the internal controls and risk management systems of the Company; and

(c) to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

BOARD COMMITTEES

There are four committees under the Board, namely, Audit Committee, Remuneration and Review Committee, Nomination Committee and Strategy Committee.

Audit Committee

The primary duties of the Audit Committee are to maintain an appropriate relationship with the Company's auditors, review the Company's financial information, and oversee the Company's financial reporting system, risk control and internal control system, and ESG matters. Its terms of reference have been specified in writing and are available on the websites of the Hong Kong Stock Exchange and the Company.

During the Reporting Period, the Audit Committee is comprised of five Directors, namely Ms. Li Yingqi (Independent Non-executive Director), Ms. You Jie (non-executive Director), Mr. Jiang Zhihong (Independent Non-executive Director), Mr. Su Zhi (Independent Non-executive Director) and Mr. Zhao Lei (Independent Non-executive Director), and one of them (i.e. Ms. Li Yingqi) is an Independent Non-executive Director who possesses appropriate accounting or related financial management expertise as required under Rule 3.10(2) of the Hong Kong Listing Rules. Ms. Li Yingqi is the chairlady of the Audit Committee.

During the Reporting Period, the Audit Committee held five meetings in total and reviewed the audited financial statements and annual report for the year ended 31 December 2020, reviewed the unaudited financial statements and interim report for the six months ended 30 June 2021, reviewed financial statements for the first quarter and the third quarter of 2021, reviewed the onshore and offshore audit firms' expenses in 2020, recommendation to engage onshore and offshore audit firms in 2021, reviewed the 2020 work summary and 2021 work plan of the audit department of the Company, as well as amended the working rules of the Audit Committee. The table below sets out the details of attendance of each member at meetings of the Audit Committee held during the Reporting Period:

Name	Meetings attended/ Meetings held
Ms. You Jie	5/5
Ms. Li Yingqi	5/5
Mr. Jiang Zhihong	5/5
Mr. Su Zhi	5/5
Mr. Zhao Lei	5/5

Remuneration and Review Committee

The Remuneration and Review Committee has adopted the second model described in paragraph B.1.2(c) (which has been re-numbered as E.1.2(c) since 1 January 2022) under Appendix 14 to the Hong Kong Listing Rules (i.e. making recommendation to the Board on the remuneration package of individual executive Director and senior management member). The primary duties of the Remuneration and Review Committee include: formulating job description, performance evaluation system and target, remuneration system and standards for the Company's members of the senior management; formulating share incentive scheme for the Company's Directors, Supervisors and members of the senior management pursuant to relevant laws, regulations or normative documents; making recommendations to the Board on remuneration policy and structure for the Company's Directors and members of the senior management and on the establishment of a formal and transparent procedure for developing remuneration policy, and making recommendations to the Board, from time to time, on total remuneration and/or interests that have been granted to Directors and members of the senior management; making recommendations to the Board on the remuneration of non-executive Directors; and such other matters authorized by the Board. Its terms of reference have been specified in writing and are available on the websites of the Hong Kong Stock Exchange and the Company.

During the Reporting Period, the Remuneration and Review Committee was comprised of five Directors, namely Mr. Su Zhi (independent non-executive Director), Mr. Wu Jianying (executive Director), Mr. Huang Ming (non-executive Director), Ms. Li Yingqi (Independent Non-executive Director) and Mr. Zhao Lei (Independent Non-executive Director) among which, Mr. Su Zhi is the chairman of the Remuneration and Review Committee.

During the Reporting Period, the Remuneration and Review Committee held two meetings and has mainly reviewed the remuneration of Directors and senior management personnel in 2020 and remuneration plan of Directors, Supervisors and senior management personnel in 2021, and 2021 Restricted A Share Incentive Scheme (Draft) and the assessment management measures adopted for the implementation of the Incentive Scheme. The table below sets out the details of attendance of each member at meetings of the Remuneration and Review Committee held during the Reporting Period:

Name	Meetings attended/ Meetings held
Mr. Wu Jianying	2/2
Mr. Huang Ming	2/2
Ms. Li Yingqi	2/2
Mr. Su Zhi	2/2
Mr. Zhao Lei	2/2

Nomination Committee

The primary duties of the Nomination Committee include: making recommendations to the Board on the size and composition of the Board and the management based on the Company's business operation, asset scale and shareholding structure, and reviewing the structure, size and composition of the Board at least annually, and taking diverse factors into account when reviewing the composition of the Board; making recommendations to the Board on the appointment, re-election and succession planning of directors; assessing the independence of Independent Non-executive Directors and formulating policies relating to the diversity of members of the Board. Its terms of reference have been specified in writing and are available on the websites of the Hong Kong Stock Exchange and the Company.

During the Reporting Period, the Nomination Committee consists of five Directors, namely Mr. Zhao Lei (Independent Non-executive Director), Mr. Hou Yongtai (executive director), Ms. You Jie (non-executive Director), Ms. Li Yingqi (independent non-executive Director) and Mr. Su Zhi (Independent Non-executive Director). Mr. Su Zhi is the chairman of the Nomination Committee.

During the Reporting Period, the Nomination Committee held one meeting to review the Board diversity and achievement of objectives, assess the dependence of Independent Non-executive Directors, review of the Board structure and the non-executive Directors' duties fulfillment to the Company. The table below sets out the details of attendance of each member at meetings of the Nomination Committee held during the Reporting Period:

Name	Meetings attended/ Meetings held
Mr. Hou Yongtai	1/1
Ms. You Jie	1/1
Ms. Li Yingqi	1/1
Mr. Su Zhi	1/1
Mr. Zhao Lei	1/1

Strategy Committee

The primary duties of the Strategy Committee are to study and provide advice on the long-term development strategy plan of the Company; study and provide advice on material matters such as external investment, acquisition and disposal of assets, assets pledge, provision of external guarantee, entrusted financial management, connected transactions, financing plan and development strategies which shall be submitted to the Board for approval in accordance with the provisions of the Articles of Association, the Listing Rules of the place where the shares are listed and relevant laws and regulations; study and provide advice on other material matters affecting the development of the Company; review the implementation of the above matters and other matters authorized by the Board.

During the Reporting Period, the Strategy Committee consists of five Directors, namely Dr. Hou Yongtai (executive Director), Mr. Wu Jianying (executive Director), Mr. Huang Ming (non-executive Director), Ms. You Jie (non-executive Director) and Mr. Yang Yushe (Independent Non-executive Director). Ms. You Jie is the chairlady of the Strategy Committee.

During the Reporting Period, the Strategy Committee held one meeting to review the 2019 work report of the Board and the Company's future development plans and goals. The table below sets out the details of attendance of each member at meetings of the Strategy Committee held during the Reporting Period:

Name	Meetings attended/ Meetings held
Mr. Hou Yongtai	1/1
Mr. Wu Jianying	1/1
Mr. Huang Ming	1/1
Ms. You Jie	1/1
Mr. Yang Yushe	1/1

SUPERVISORY COMMITTEE

The Supervisory Committee is a supervisory agency of the Company which is responsible for the supervision of the Board and its members and senior management such as the general manager and deputy general manager so as to prevent them from the misuse of authority and infringement of lawful rights of the Shareholders, the Company and the Company's employees. The number of members and the composition of the Supervisory Committee are in comply with the provisions and requirements of the laws, regulations and the Articles of Association. During the Reporting Period, the Supervisory Committee was comprised of five Supervisors, of whom two were employee representative Supervisors democratically elected by our employees. The background and biographical details of the Supervisors are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" in this annual report.

During the Reporting Period, the Supervisory Committee held six meetings and has mainly reviewed the audited financial statements and annual report for the year ended 31 December 2020, reviewed the unaudited financial statements and interim report for the six months ended 30 June 2021, reviewed financial statements for the first quarter and the third quarter of 2021, supervised the use of share proceeds from the issue of the A Shares, and reviewed matters related to 2021 Restricted A Share Incentive Scheme.

AUDITORS AND THEIR REMUNERATIONS

At the 2020 annual general meeting convened on 11 June 2021, the Company approved the appointment of Ernst & Young Hua Ming LLP and Ernst & Young as the Company's domestic and international auditors for 2021, respectively, and authorized the Board to fix their respective remunerations; approved the appointment of Ernst & Young Hua Ming LLP as the internal control auditor for 2021 to conduct annual audit on the Company's internal control and issue internal control audit report, and authorized the Board to fix its remuneration.

The remuneration paid to the external auditors of the Company in respect of audit services for the annual report for the year ended 31 Decemer 2021 was RMB2.98 milion. And the remunerration paid to external auditors in respect of non audit sevices was RMB1.13 million, relating to transaction and consultation services.

In respect of the matters relating to the selection, appointment, resignation or dismissal of the external auditors, the Board concurs with the view of the Audit Committee.

RESPONSIBILITY OF THE DIRECTORS AND AUDITORS FOR THE FINANCIAL STATEMENTS

The Directors has acknowledged their responsibility for preparing the financial statements for the year ended 31 December 2021 which give a true and fair view of the state of affairs of the Group as at 31 December 2021 as well as its profit and cash flows during the Reporting period. The accounts of the Company were prepared in accordance with all relevant regulations and applicable accounting principles. In preparing these consolidated financial statements, the Directors selected and applied suitable accounting policies and made accounting estimates that are reasonable in the circumstances. Moreover, the consolidated financial statement has been prepared assuming that the Company will continue as a going concern. The Directors are responsible for keeping proper financial records which disclose with reasonable accuracy the financial position of the Group at any time. The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment on the Group's financial information and status, which are submitted to the Board for approval.

Ernst & Young, the auditors of the Company, have set out their responsibility in the independent auditors' report as set out on pages 115 to 120.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as the code of conduct regarding securities transactions by the Directors and Supervisors of the Company. Having made specific enquiries of all Directors and Supervisors, all of them confirmed that they have complied with the required standards set out in the Model Code during the Reporting Period.

INTERNAL CONTROL, AUDIT AND RISK MANAGEMENT

The Board acknowledges its responsibility for the risk management and internal control systems of the Group as well as their effectiveness. These systems are designed to manage rather than eliminate the risk of failure to achieve business objectives. The Directors of the Company are responsible for regularly reviewing the internal control and risk management system of the Group to ensure its effectiveness and efficiency. The risk management and internal control work of the Group involves joint work of the Board, the Audit Committee, the audit department and management. The Board is responsible for maintaining a sound and effective risk management and internal control system, and assessing the effectiveness of the said system annually through the Audit Committee, which shall cover all significant monitoring including finance, operation and compliance monitoring as well as risk management function. The Audit Committee is responsible for assisting the Board in monitoring the Group's risk management and internal control system, and review and discussion with the management annually to ensure the discharging of duties by the management so as to maintain the effectiveness of the said system, and is responsible for considering the important survey results in relation to risk management and internal control and making recommendations to the Board. The audit department, the executive body for the work of the Audit Committee, is responsible for facilitating the effective operation and management of the Company and providing support to the Board and the Audit Committee in discharging their duties. The management is responsible for designing, implementing and monitoring the Group's risk management and internal control system, and reporting to the Board and the Audit Committee the effectiveness of the said system.

During the Reporting Period, under the leadership of the Audit Committee, the audit department carried out internal control self-evaluation, and evaluated the implementation of internal control in aspects of corporate governance, strategy and risk management, social responsibility, human resources, communication of internal information, research and development, procurement, sales, assets management, financial management, engineering management, etc. On 28 March 2022, the Audit Committee and the Board reviewed and approved the Company's 2021 internal control self-evaluation report, concluding the risk management and internal control system of the Company were adequate and effective, but only made reasonable but not absolute assurance against material misstatements or losses. During the Reporting Period, the audit department also carried out three special audit works, and supervised the implementation of risk management and internal control of the Group by carrying out internal control self-evaluation and audit work. The Board has considered the adequacy of resources, qualifications and experience of staff of the Company's accounting and financing reporting departments and their training programs and budgets.

The Company has formulated "Rules for Management of Information Disclosure" and "Rules for Management of The Insider" to regulate inside information management. The Board leads the information disclose affairs, in particular, the secretary of the Board takes charge of organizing and implementing information disclosure affairs. The secretary of the Board shall report to the Board immediately upon receiving inside information, and the Board shall decide whether to release the information or not. During the Reporting Period, the Company trained the management staff of the Company and its important subsidiaries on the communication and confidentiality of internal information.

SIGNIFICANT RISKS

The Group's financial position, operating results and business prospect may be directly or indirectly affected by a series of risks and uncertainties relating to the businesses of the Group. During the Reporting Period, there was no change in the nature and extent of major risks faced by the Group. The potential risks taken by the Group are set out below:

I. Core competitiveness Risk

The technological advancement of products is the basis for forming the Group's core competitiveness. However, in recent years, the field of biomedical materials has developed rapidly, and technical capabilities have been continuously upgraded. If breakthrough new technologies or products appear internationally or domestically in the indication area of the Group's products in the future, and the Group's failure to adjust the technical route in a timely manner may cause the Group's technological level to lag behind, which will adversely affect the competitiveness of the product market influences.

In order to maintain and strengthen its core competitiveness, the Group continued to focus on the four major technology R&D platforms of IOL and optical materials technology platform, medical chitosan, medical sodium hyaluronate/sodium hyaluronate, and rhEGF technology, to develop new products in related fields. However, the R&D of biomedical materials has the characteristics of long cycle, high technical difficulty, large capital investment, high added value and return, and long product market life cycle. If the R&D project fails to make R&D results, or the market acceptance of the new product developed does not meet expectations, it will adversely affect the long-term core competitiveness of the Group and create uncertainty on the Group's profitability and operating results.

II. Operating Risk

In recent years, adverse reactions caused by the safety of pharmaceutical products have received close attention from the whole society. If the Group fails to strictly abide by the production safety system, which may lead to quality problems or adverse reactions of the Group's products, it will cause the Group to face the risks of compensation, product recall and social responsibility, as well as administrative penalties, which will adversely affect the Group's operating performance and reputation.

At present, the Group's main business areas are characterized by good market prospects and high gross profit levels. However, this will also attract new capital and enterprises into these areas, which will intensify market competition in the medium and long term. The Group's market share and gross profit margin are affected by the intensified market competition, which in turn affects profitability.

In recent years, in order to complete the industrial chain layout of the Group, the Group has conducted a number of upstream and downstream industry mergers and acquisitions and investments around its main business, forming a certain scale of goodwill. If the integration effect of the company or business acquired in the future fails to meet expectations, adverse changes in operating conditions may cause the Group to make provision for impairment of the goodwill generated by the investment and adversely affect the Group's performance. If the invested enterprise failed to get the expected performance or operated poorly, the Group has the risk of investment loss or failing to recover the funds.

III. Industry Risk

At present, the reform of China's medical and health system is gradually deepening, involving the approval, registration, manufacturing, packaging, licensing, and sales of medicine and medical devices. Major industry policies such as the basic list of medicines, list of medicines, the "Two-Invoice System", and large-scale procurement have been introduced. If the Group fails to make timely adjustments in accordance with the ongoing regulatory policies of the pharmaceutical industry, it may lead to increased compliance costs and reduced product demand of the Group, which will adversely affect the Group's financial position and operating performance.

IV. Macro Environmental Risk

The growth of the Group's performance has benefited in part from the improvement of Chinese residents' payment ability and health awareness, which in turn is reflected in the continued growth of China's biopharmaceutical industry. If the overall growth rate of the biopharmaceutical industry slows down in the future, or if public events that are adverse to the quality of the biopharmaceutical industry or related to public safety affect the overall image of the industry, it may cause the market demand for the Group's products to slow down, thereby adversely affecting the financial position and operating performance of the Group.

Internationalization is one of the key strategies for the development of the Group. The Group has acquired a number of companies overseas to promote the transfer of advanced technologies and products to China. If the overseas business conditions are affected by major changes in the laws and regulations, industrial policies or political and economic environment of the country and region where the overseas business is located, or unforeseen factors such as tension in international relations, war, trade sanctions or other force majeure, the normal development and sustainable development of the Group's overseas business may potentially be adversely affected.

ARTICLES OF ASSOCIATION

Pursuant to the general mandate granted to the Board to repurchase H Shares by the general meetings of the Company, the Board repurchased and cancelled a total of 2,023,200 H Shares, and the total share capital and registered capital of the Company also decreased accordingly. Based on such changes in the total share capital and registered capital of the Company, the Board has amended the Articles of Association without submitting these amendments for further consideration and approval at the general meeting of the Company. For details of the above amendment, please refer to the announcement dated 28 October 2021.

Apart from the above, there had not been any significant changes in the Articles of Association during the Reporting Period. The current valid Articles of Association is available on the websites of the Hong Kong Stock Exchange and the Company.

JOINT COMPANY SECRETARIES

Mr. Chiu Ming King, the managing director of corporate services of Vistra Corporate Services (HK) Limited (an external service provider), has been appointed as a joint company secretary of the Company, effective from 17 November 2014. Ms. Tian Min is another joint company secretary of the Company, who acts as the main contact person of Mr. Chiu Ming King and the internal departments of the Company.

In compliance with Rule 3.29 of the Hong Kong Listing Rules, Ms. Tian Min and Mr. Chiu Ming King both undertook not less than 15 hours of relevant professional training to improve their skills and knowledge during the year ended 31 December 2021.

SHAREHOLDERS' RIGHTS

I. Procedures for Shareholders to Convene an Extraordinary General Meeting

Shareholders who individually or in aggregate hold more than 10% of the shares carrying the right to vote at the meeting sought to be held requesting the convening of an extraordinary general meeting or a meeting of shareholders of different classes shall proceed in accordance with the procedures set forth below:

1. Two or more shareholders holding a total of more than 10% of the shares carrying the right to vote at the meeting sought to be held may sign one or more written requests of identical form and substance requesting the Board to convene an extraordinary general meeting or a class meeting and stating the subject of the meeting. The Board shall make a written response as to whether or not it agrees to hold the extraordinary general meeting or the class meeting within ten (10) days after having received the above-mentioned written request. The shareholding referred to above shall be calculated as of the date on which the written request is made by shareholder(s).

2. If the Board agrees to convene the extraordinary general meeting or the class meeting, it shall issue the notice of the extraordinary general meeting or the class meeting in 5 days after making the resolution of the Board. If there is any change to the original proposal in the notice, it shall be approved by the original proposer.

3. If the Board disapproves the proposal to convene the extraordinary general meeting or the class meeting, or fails to provide a response in 10 days after receiving the request, shareholders shall be entitled to propose to the Supervisory Committee in writing for the purpose of convening the extraordinary general meeting or the class meeting.

4. If the Supervisory Committee approves the convening of the extraordinary general meeting or the class meeting, it shall issue a notice thereof within 5 days of receipt of said request, provided that any changes made in such notice to the original proposal shall be subject to prior consent from the original proposer.

5. If no notice is issued by the Supervisory Committee of the extraordinary general meeting or the class meeting within the stipulated period, the Supervisory Committee shall be deemed to have failed to convene and chair the general meeting, in which case the shareholder(s) individually or jointly holding more than 10% of the Company's shares for consecutive 90 days may convene and chair such meeting on their own. The procedures according to which they convene such meeting shall, to the extent possible, be identical to the procedures according to which general meetings are to be convened by the Board. The shareholding proportion of the convening shareholders before the announcement of the resolutions passed at the shareholders' general meeting shall not be under 10%. The convening shareholders shall submit the relevant evidentiary materials to the dispatched office of the securities regulatory authorities of the PRC and the stock exchange(s) when the convening shareholders issue the notice of shareholders' general meeting and the announcement of the resolutions passed at the shareholders' general meeting.

II. Procedures for Directing Shareholders' Enquiries to the Board

According to the Articles of Association, in the case that a shareholder proposes to access or obtain relevant information provided for in the Articles of Association of the Company, the Company shall provide relevant information according to the request after the Company checks and confirms the identity of the shareholder and the shareholder pays for the cost and expenses incurred.

The Company has disclosed its address, hotline for investor relationship, fax and email in the Company website and the periodical reports, and arranges manpower specially for taking calls from investors, handling investors' emails, and timely reporting to the Company's management.

III. Procedures to Propose Motions at General Meetings

According to the provisions of the Articles of Association, whenever the Company convenes a general meeting, the Board, the Supervisory Committee and shareholder(s) individually or together holding more than 3% of the Company's shares shall have the right to propose motions in writing to the Company. The Company shall include such proposed motions in the agenda of such meeting if they are matters falling within the functions and powers of general meetings.

Shareholder(s) individually or together holding more than 3% of the Company's shares shall have the right to propose an extempore motion ten (10) days prior to the general meeting by submitting the same to the convener in writing. The convener shall serve a supplemental notice of general meeting to other shareholders within two (2) days upon receipt of the proposed motion, and shall include such proposed motions in the agenda of such general meeting if they are matters falling within the functions and powers of general meetings and submit to the general meeting for consideration. Where required otherwise by the listing rules of the stock exchange where the Company's shares are listed, such requirements shall be satisfied. Shareholders shall propose motions which meet the following requirements:

(1) the content does not infringe the law, regulations and falls within the scope of the Company's business and the functions and powers of general meetings;

(2) with definite issues to discuss and specific matters to resolve; and

(3) is made in writing submitted or delivered to the Board.

For matters in relation to nominating a person for election as a Director, please refer to the relevant procedures published on the Company's website.

IV. General Meetings

For the year ended 31 December 2021, three general meetings of the Company were held. Details are as follows:

Date	Venue	Meeting
11 June 2021	24/F, WenGuang Plaza, No.1386, Hongqiao Road, Changning District, Shanghai, PRC	2020 Annual General Meeting
11 June 2021	24/F, WenGuang Plaza, No.1386, Hongqiao Road, Changning District, Shanghai, PRC	2021 First A Shareholders' Class Meeting
11 June 2021	24/F, WenGuang Plaza, No.1386, Hongqiao Road, Changning District, Shanghai, PRC	2021 First H Shareholders' Class Meeting

Statistics on Directors' attendance at meetings:

Name	Meetings attended/ Meetings held
Mr. Hou Yongtai	3/3
Mr. Wu Jianying	3/3
Ms. Chen Yiyi	3/3
Mr. Tang Minjie	3/3
Ms. You Jie	3/3
Mr. Huang Ming	3/3
Ms. Li Yingqi	3/3
Mr. Jiang Zhihong	3/3
Mr. Su Zhi	3/3
Mr. Yang Yushe	3/3
Mr. Zhao Lei	3/3

V. Communications with Shareholders and Investor Relations

The Company attaches great importance to maintaining and developing investor relations and considers it crucial to provide investors with accurate information in a timely manner and maintains communication with investors through effective communication channels with an aim to enhance mutual understanding between investors and the Company and to improve the transparency of the Company's information disclosure.

The Company publishes its announcements, financial information and other relevant information on the website at www.3healthcare.com, as a channel to facilitate effective communication. At the same time, the Company communicates and exchanges with investors through road shows, visiting receptions, investor relations hotlines, dedicated mailboxes, and the "SSE E-networking(上證e互動)" platform, and strengthens communication with investors and analysts to effectively protect the legitimate rights and interests of investors, especially small and medium investors.

The Board welcomes shareholders' views and encourages them to attend general meetings to convey any concerns they might have to the Board or the management. Chairman of the Board and the chairmen of all committees (or their proxy) will attend the annual general meeting and other general meetings. At the general meeting, all shareholders attending the meeting may make enquires to the Directors and other management in respect of matters relevant to the resolutions. The Company has published detailed contact methods through its website, notices of the general meeting, circulars to the shareholders and annual reports for shareholders to express their views or make enquiries.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

This report is the sixth Environmental, Social and Governance Report released by the Company. It focuses on the disclosure of concepts, practices and performance regarding the Company's economic, social and environmental aspects. We look forward to enhancing communication with stakeholders, building consensus and promoting sustainable development through the release of the ESG report.

THE REPORTING PERIOD

1 January 2021 to 31 December 2021, part of which involves the information prior to 2021.

SCOPE OF THE REPORT

The disclosure scope of the report is consistent with that of this annual report.

Unless otherwise stated, environmental KPIs specified in this report mainly cover the Company and its domestic subsidiaries which are engaged in product R&D and production (the "**Major Domestic Subsidiaries**").

The Group will continuously assess the range of material ESG operations of different business segments or its key subsidiaries and determine whether they should be included in the scope of the ESG Report.

REPORTING PRINCIPLES

"Materiality" principle: The Group identifies significant ESG issues through stakeholder engagement and materiality matrix analysis.

"Quantitative" principle: The Group reports key performance indicators in quantitative measurement units where feasible.

"Consistency" principle: This report adopts a consistent methodology from previous years to make meaningful comparisons and to mark changes in statistical methods and key performance indicators.

BOARD STATEMENT

The Company has established an ESG governance system under the leadership of the Board. The Board, through regular meetings, fully discusses and determines the Group's ESG risks and opportunities with the Company's management, and is responsible for formulating the Group's ESG strategies and goals, incorporating ESG strategies into the Group's business decision-making processes through the ESG governance system, and implementing relevant work into daily operations.

The Board adopts the methods of stakeholder engagement and materiality matrix analysis to identify and evaluate ESG issues that have a great impact on the Group, and ranks these issues in importance. We preliminarily identified ESG issues that have a great impact on the Group based on ESG regulatory requirements, in-depth investigations into the industry, and collection of feedback from various stakeholders; and then we distributed questionnaires to internal and external stakeholders around the preliminary identified ESG issues; finally, we assessed the impact of major issues on the sustainable development of stakeholders and the Group, and prioritized related issues in accordance with the compare and evaluate results of materiality on each issue conducted by the stakeholders.

The Board has set ESG KPIs in accordance with the ESG reporting guide, and will regularly evaluate the implementation and achievement to ensure that the policies have been executed and implemented in an accurate and continuous manner.

The Board also monitors and reviews the Group's compliance with ESG-related laws and regulations from external regulators.

BASIS FOR COMPILATION OF THE REPORT

This report is in compliance with reference to the "Environmental, Social and Governance Reporting Guide" (the "**ESG Reporting Guide**") under Appendix 27 of the Hong Kong Listing Rules.

SOURCES OF DATA AND ASSURANCE OF RELIABILITY

The data and cases contained in this report are mainly derived from the Group's statistical reports and related documents. The Company undertakes that this report does not contain any false records, misleading statements or material omissions.

CONFIRMATION AND APPROVAL

This report was considered and approved by the Board on 28 March 2022.

ACCESS TO THE REPORT

The electronic version of this report is available for download at the SEHK's website (www.hkexnews.hk), the SSE's website (www.sse.com.cn) and the Company's website (www.3healthcare.com).

01 ABOUT HAOHAI

1.1 Company profile

The Company is a high-tech biomedical enterprise founded in January 2007. It commits to the research and development, manufacturing and sales of medical devices and drugs. The Company was successfully listed on the Main Board of HKEX on 30 April 2015. On 30 October 2019, the Company was listed on the Sci-tech Innovation Board of the Shanghai Stock Exchange (the "**STAR Market**"), making us the first biopharmaceutical company listed on both the SEHK and the STAR Market. After more than ten years of hard work, the Group has established product lines in four major therapeutic fields: ophthalmology, medical aesthetics and wound care, orthopedics, and anti-adhesion & hemostasis; and further improved its industrial layout in the above-mentioned fields through independent research and development and merger and integration.

The main products of the Group's four business segments are displayed as follows:

Ophthalmology

Cataract Treatment
- IOL products
- OVD products
- Innovative injectors, scalpels, etc.

Ophthalmology and Optometry Products
- Orthokeratology lenses
- Phakic refractive lenses

Ocular Surface Products
"Eyesucom" eye drops, Moxifloxacin eye drops

Medical Aesthetics and Wound Care

Medical Aesthetics Products
- HA Dermal Filler for Injection
- Radio frequency devices and laser equipment

Wound Repair Products
- rhEGF

Orthopedics

Orthopedic Intra-articular Viscoelastic Supplements
- Sodium hyaluronate injection
- Medical chitosan

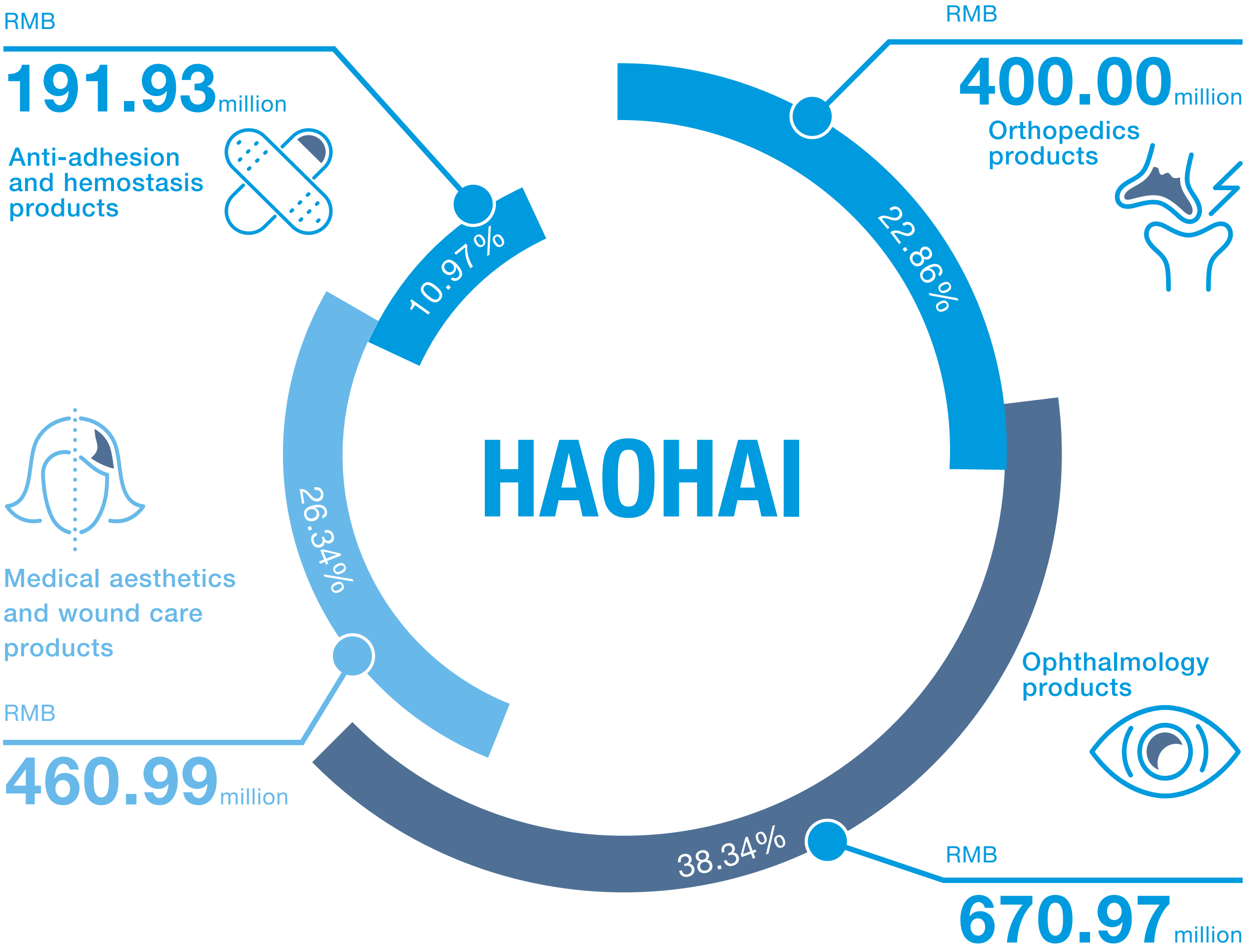
Anti-adhesion and Hemostasis

Anti-adhesion Materials
- Medical sodium hyaluronate gel
- Medical chitosan

New types of Hemostatic Materials
- Collagen sponge
- Porcine fibrin sealant

1.2 Financial performance

Revenue and percentage of the Group's four therapeutic product lines in the Reporting Period



Operating Data

Earnings per share	Net profit attributable to the parent	Gross profit margin
RMB 2.00	RMB 352.23 million	71.98%

1.3 ENTERPRISE HONORS

Honors

During the Reporting Period, the Group received the following honors:

- In February 2021, the Company became the first batch of companies listed on the STAR Market of FTSE Global Equity Index Series
- In February 2021, the "Haohai Biological Technology International Pharmaceutical R&D and Industrialization Base" project was included in the major construction projects of Shanghai in 2021
- In June 2021, the Company was successfully selected as the "Top 50 Companies Listed on the STAR Market"
- In June 2021, the Company was included in the "CSI Medical Advantage 50 Index", "CSI All Share Healthcare Equipment and Services Index" and "CSI All Share Medical Device Index", etc.
- In July 2021, nine star products of the Company were awarded the certificate of "2020 Famous and Quality Products in Shanghai Pharmaceutical Industry" ("2020年度上海醫藥行業名優產品")
- In July 2021, the Company was successfully selected into the "Value List of Shanghai Manufacturing Brands", ranking 20th in the list and 4th among pharmaceutical companies. The list was first published by the School of Management of Fudan University and the Shanghai Institute of Corporate Culture and Branding, jointly with the Shanghai Federation of Industrial Economics
- In August 2021, the Company won the titles of the "2021 Shanghai Top 100 Manufacturing Enterprises" and the "2021 Shanghai Top 100 Private Manufacturing Enterprises". The Company has been included in the list of Shanghai Top 100 Private Manufacturing Enterprise for 3 consecutive years
- In November 2021, the Company's "Sodium Hyaluronate Injection (New Process)" project won the "2020 Shanghai Top 100 High-tech Achievement Transformation Projects"
- In December 2021, Shanghai Qisheng, a subsidiary of the Company, won the winning project of the 2021 National Disruptive Technology Innovation Competition (2021年度全國顛覆性技術創新大賽優勝專案) for the project of "Development of Biomimetic Artificial Vitreous Body and New Treatment Methods for Vitreous Regeneration" ("仿生人工玻璃體的研製和玻璃體再生的新型治療方式項目")

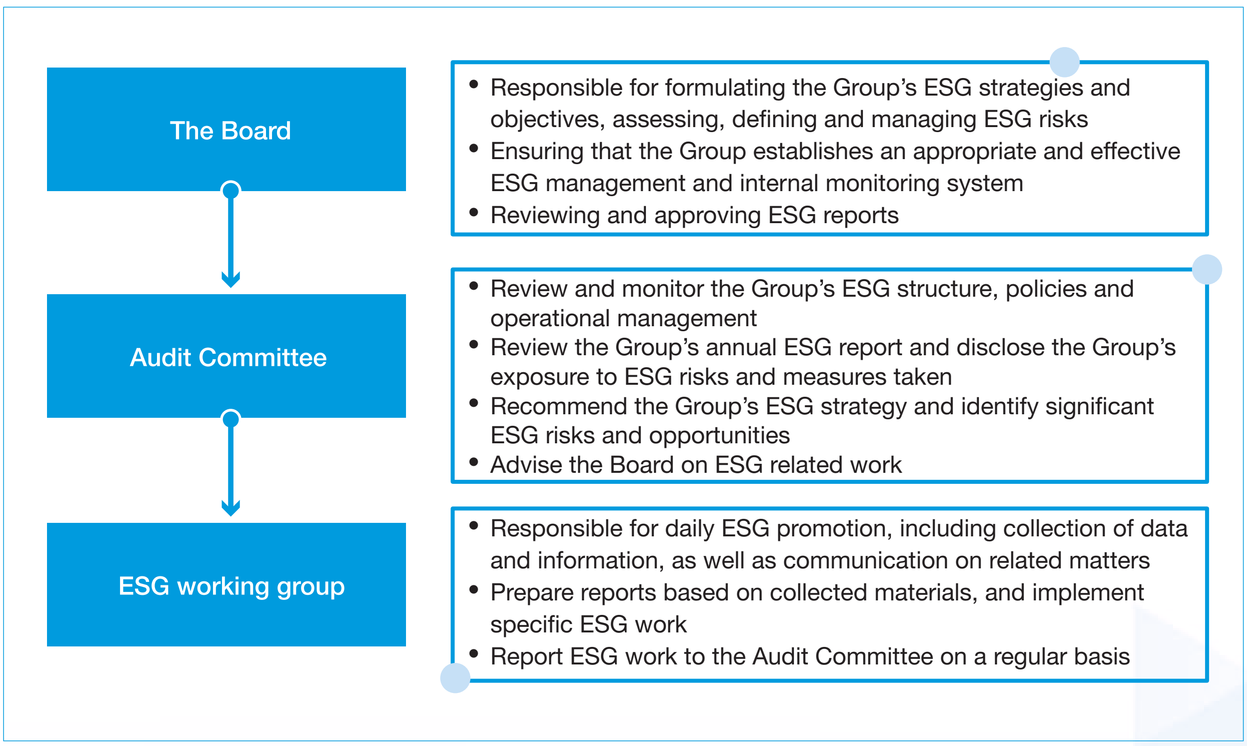
The Company established a corporate governance structure consisting of the general meeting, Board, Supervisory Committee and the management, and formulated mechanisms of mutual coordination and checks and balances characterized by a clear division of power and responsibility between the governing, decision-making and supervisory bodies and the management, and well-regulated operations in accordance with the Company Law, the Securities Law of the People's Republic of China, the Code of Corporate Governance for Listed Companies promulgated by CSRC, Star Market Listing Rules and the Corporate Governance Code as set out in Appendix 14 of the Hong Kong Listing Rules and other relevant laws, regulations and normative documents. The Board has established special subordinate committees, including a strategic committee, an audit committee, a nomination committee and a remuneration and review committee, which assist and supervise the Board in making decisions on strategic development, audit, human resources management and remuneration. At the same time, the Group continues to improve ESG governance standards to protect the interests of the shareholders, and coordinate the relationship between various interest groups within the Company, so as to achieve sustainable development.

02 DEDICATED TO CORPORATE GOVERNANCE

2.1 ESG governance

The Group continues to implement ESG management and integrate the concept of sustainable development into its daily business activities. We continue to improve the ESG management structure. During the Reporting Period, the Company set up a three-tier ESG governance structure consisting of the Board, the Audit Committee and the ESG working group to clarify the responsibilities of all levels and ensure the orderly implementation of ESG related work. At the same time, we actively encourage ESG trainings to help enterprises improve their ESG management standards. In the future, we will continue to promote the in-depth participation of the Board in the ESG risk assessment and management procedures, and continue to improve the scientific and systematic ESG management.

The Group's ESG governance structure consists of the Board, the Audit Committee and the ESG working group. It promotes ESG management from top to bottom, and integrates the concept of sustainable development into business operation decisions in all aspects.



2.2 Compliance operation

Risk management and control

The Group attaches great importance to enterprise risk management and internal control, building a solid security line of enterprise. The Group has formulated the Risk Assessment Management System, which clarifies the risk management structure and division of labor at all levels, and incorporates climate change risk, corporate governance, human resource management, product quality and other ESG risks into its routine risk management and internal control mechanism.

The risk management and internal control of the Group are jointly participated by the Board, the Audit Committee, the Audit Department and the management. The Board is responsible for ensuring the maintenance of sound and effective risk management and internal control systems. The Audit Committee is responsible for assisting the Board in monitoring the Group's risk management and internal control systems, considering important findings on risk management and internal control matters, and making recommendations to the Board by evaluating the effectiveness of the above systems annually. The Audit Department is the executing body of the Audit Committee. The responsibility of an internal audit is to promote the effective operation and management of the Company, and to supervise the implementation of risk management and control plans by carrying out internal control self-assessment and audit work. The management is responsible for the specific implementation of the Company's risk assessment and management, and it has a legal department that provides legal support for the Group's compliance, internal control and risk management.

During the Reporting Period, the Group conducted internal control evaluation and internal audit projects to evaluate the effectiveness of the Company's risk management and internal control systems. The evaluation scope includes organizational governance, strategy and risk management, social responsibility, human resources, research and development, asset management and project management. In the evaluation process, the Group revised and improved the original internal control system, which enhanced the effectiveness of the Company's risk control and supervision and management.

Anti-Corruption and business integrity

The Group devotes itself to the corporate culture of integrity and anti-Corruption. We strictly abide by the Criminal Law of the People's Republic of China, the Civil Code of the People's Republic of China, the Anti-unfair Competition Law of the People's Republic of China and other relevant laws and regulations, and we formulated the Anti-fraud and Whistle-blowing System, the Code of Conduct against Sales-related Corruptions and the Reporting System for Conflict of Interests and other internal systems, and the Employee Handbook to detail the relevant provisions for corruption-free practices to standardize the integrity and self-discipline among employees. At the same time, we have published a hotline for reporting on the Company's website. Employees of the Group and all parties in society can report actual or suspected corruption of the Group and its employees, including violations of professional ethics, to the Company via the reporting hotline, E-mail and other channels. When receiving complaints or whistle-blowing information, the audit department of the Company shall report to the general manager of the Company and the Board respectively according to the position of the respondent or the person who has been reported, and shall conduct further investigation and handle the matters; the audit department shall notify the complainant or whistleblower of the outcome of the investigation. We promise to keep confidential the whistleblower's personal information and reporting materials.

Corruption-free Practices Preaching for New Employees

During the Reporting Period, the Group was not involved in any corruption-related lawsuits.

The Company attaches great importance to the trainings about integrity and corruption-free for directors, senior management and employees. The Company employs third-party professional consulting agencies to provide directors, especially new directors, with trainings on directors' responsibilities, including avoiding conflicts of interests and anti-corruption. The preaching themed corruption-free practices is an important lesson in our induction training for new employees, which aims to strengthen new employees' awareness of integrity and self-discipline.

Information security

The Group guarantees enterprise information security in terms of technology and management. The Company is equipped with full-time IT information security management personnel to supervise and control the software and hardware firewalls. In addition, the Company selected professional third-party institutions to provide cloud services to servers. The machine room conforms to the international T3+ standard, and the cloud infrastructure has passed the National Information System Security Level Protection Evaluation (Level 3). Cloud services include professional software and hardware firewalls, backup and other security services. We have established a series of information security-related systems to strengthen information security management, enhance staff's awareness of information security and standardize staff's information security behaviors. The Company explicitly states in the Employee Handbook that employees shall fully abide by professional ethics and the Company's Information Confidentiality System; employees in confidential positions shall sign Employee Confidentiality Contract and Non-competition Contract; and employees shall bear confidentiality obligations during work and after leaving office until the confidential information is legally disclosed. In addition, the Group has put forward specific requirements for information confidentiality and measures for information security aiming at employees of different posts and different businesses in Patent Management Regulation, Trademark Management Regulation, R&D Management Regulation, File Management Regulation, Emergency Plan for Loss and Disclosure, and Information System Security Policy and Management Procedures, and classified and managed confidential information and assets.

2.3 Materiality analysis

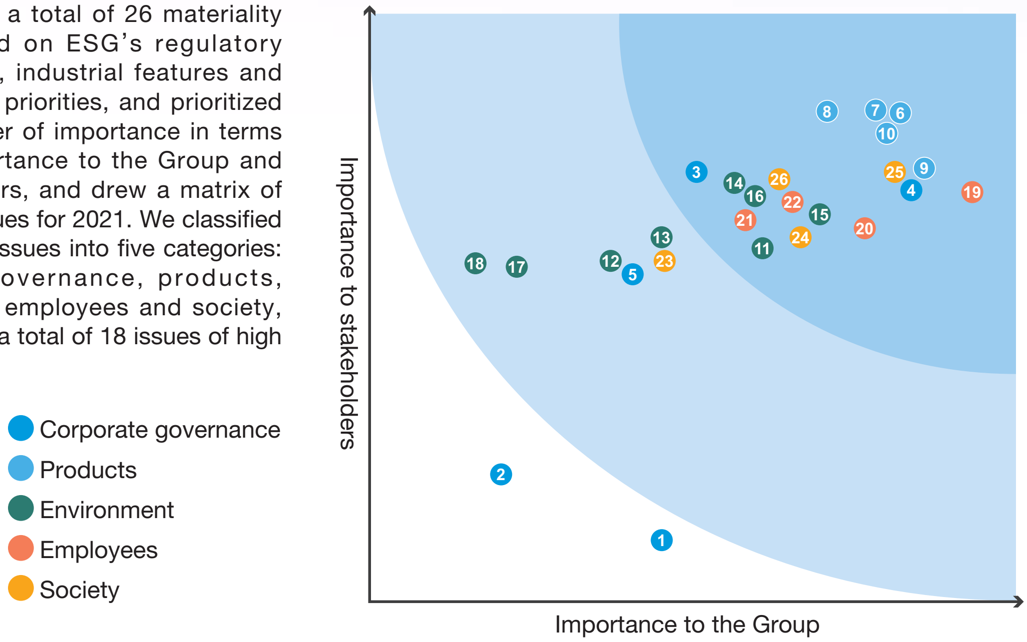
Communication with stakeholders

The Group pays attention to the needs and expectations of the stakeholders, understands the needs of employees, shareholders, suppliers and other stakeholders through daily business communication, special meetings, opinion surveys and other diversified communication channels, and takes actions based on their opinions to continuously optimize the ESG management system and strategies of the Company. During the Reporting Period, the topics concerned by different stakeholders and the main channels for communication are as follows:

Stakeholders	Topics of concern to stakeholders	Communication and feedback channels
Customers	R&D and innovation, product safety and service quality	Complaint hotline, customer satisfaction survey, industry association membership, etc.
Shareholders	Business performance, regulatory compliance, R&D and innovation	General meeting, information disclosure, and reception of investigations and research
Government and regulators	Regulatory compliance, R&D and innovation, environmental protection	Legal and regulatory compliance in business operations, reception for site inspections and reporting, and filing for government projects
Employees	Remuneration and benefits, career development, and humanistic solicitude	Staff satisfaction survey, professional training, and teambuilding events
Suppliers	Honesty and business integrity, and supplier management	Procurement tender, performance appraisal and evaluation, and suppliers meetings
Community	Communication with communities, environmental protection, product safety	Involvement in community events, and reception of interviews or surveys

Materiality analysis

We identified a total of 26 materiality issues based on ESG's regulatory requirements, industrial features and stakeholders' priorities, and prioritized issues in order of importance in terms of their importance to the Group and to stakeholders, and drew a matrix of materiality issues for 2021. We classified the identified issues into five categories: corporate governance, products, environment, employees and society, and identified a total of 18 issues of high materiality:



Importance to the Group

No.	Name of topic	No.	Name of topic
1	ESG governance system	14	**Packaging materials**
2	Risk and crisis management	15	**Sewage management**
3	**Business ethics and anti-corruption**	16	**Waste management**
4	**Supply chain compliance management**	17	Carbon footprint and greenhouse gas emissions
5	Supply chain ESG management	18	Climate change response and adaptation
6	**Product safety and quality**	19	**Occupational health and safety**
7	**Intellectual property rights**	20	**Employee benefits and remuneration**
8	**Technologies and innovations**	21	**Diversity and equality**
9	**Responsible marketing**	22	**Talent development and retention**
10	**Information security**	23	Contributions to community
11	**Environmental management system**	24	**Public welfare and charity**
12	Resource consumption management	25	**Health accessibility and general benefits**
13	Pollution discharge management	26	**Industry development and win-win**

03 DEVOTED TO PRODUCT DEVELOPMENT

The Group pursues technological innovations, actively integrates domestic and foreign industry-leading resources, and learns from advanced technological experience to accelerate upgrading of products. At the same time, the Group strives to build up a premium industry chain and continuously enhance the control on product quality through scientific supply chain management, so as to meet the social demand for quality of pharmaceutical products.

3.1 Innovative development

Research & development and innovation
We attach great importance to R&D investment. During the Reporting Period, the R&D expenses of the Group reached approximately RMB167.60 million, representing an increase of approximately 32.51%, as compared to approximately RMB126.47 million in 2020. And the proportion of R&D expenses in operating revenue was approximately 9.58%.

At the same time, we also attach great importance to R&D project management, and continuously improve the R&D management system. We adopt the principle of "Eight Determinations" to promote R&D projects in an orderly manner from multiple dimensions including project management, file management, on-site management, and safety management, and incorporate R&D quality management into the enterprise quality management and control system. The quality management and control department monitors the whole R&D process and evaluates the results, and the R&D project team organizes periodic review and summary meetings to ensure the smooth progress of the R&D project and control risks.

We have established a relatively complete R&D management system, and we are equipped with a professional and high-quality R&D team. We have formed our unique R&D advantages and constantly stabilized the leading position in the market segment with the support of advanced research platforms and hardware equipment.

Management System Guarantee
The Company and its major subsidiaries have formulated R&D management systems, as well as regulations related to R&D project management, laboratory standard management and other R&D management related procedures, among which provisions are made for R&D project initiation, procurement, assessment, incentive and file management. Through years of independent research and development, the Group has formed a complete R&D management and control system in terms of organizational structure and operation management. We implemented an application and approval system for R&D project initiating, strengthened the management of R&D projects from the source, and formed an integrated R&D achievement transformation system to continuously improve the transformation efficiency of scientific and technological achievements. In November 2021, the Company's "Sodium Hyaluronate Injection (New Process)" project won the "2020 Shanghai Top 100 High-tech Achievement Transformation Projects".

Product decision	• Demonstrate from the dimensions of industrial chain and product line construction, conducts investigation on the technological innovation, exclusiveness, exclusivity and leadership of new products based on clinical use needs
Project approval	• Organize feasibility study meetings for projects approval
After new technology and product development	• The clinical medicine team drafts the clinical trial protocol and organizes the corresponding clinical trial
After the clinical trial is completed	• Start product registration & application and production license acceptance to speed up the industrialization of scientific research achievements

R&D Team Guarantee

As of December 31, 2021, the Group had a total of 314 R&D technicians worldwide, accounting for approximately 16.60% of the total number of employees of the Group, among which 19 have doctoral degrees and 81 have master's degrees. At present, a R&D team with a reasonable personnel structure and matching professional fields has been initially formed. We constantly improve and stimulate the scientific research and innovation capabilities of R&D personnel through cooperation in scientific research projects, the incentive mechanism for scientific research personnel training, provision of learning and trainings, as well as opportunities to exchange with industry leaders, thereby promoting the Group's technology and product innovation.

Hardware Platform Guarantee

The Group conducted product research in various fields such as ophthalmology, medical aesthetics, and orthopedic surgery, set corresponding technology platforms, and incubated a number of innovative R&D projects. At present, we have a national-level enterprise technology center, a national-level postdoctoral research workstation, two national-level R&D platforms, four provincial and ministerial-level technology and R&D transformation platforms, and one Shanghai academician expert workstation, providing a high-quality research platform and a good working environment for the R&D team. At the same time, the Group has established an integrated R&D system in China, the United States, the United Kingdom and France, actively introducing, digesting and absorbing overseas advanced technology and management experience, forming an interactive R&D layout at home and abroad.

During the Reporting Period, a number of our scientific research projects were supported by special funds:

- Shanghai Qisheng's HA Dermal Filler product "Hyalumatrix" won a special award of RMB2.03 million for "Industrial Innovation and Integration Demonstration Application" ("產業創新融合示範應用")

- The research of "Novel Asymmetric Nanofiber Three-Dimensional Scaffold with High-Transmittance for Reconstruction of Damaged Cornea" ("新型高透光非對稱結構納米纖維三維支架用於受損角膜的重建") won the special fund for biomedical science and technology support of Shanghai 2021 "Science and Technology Innovation Action Plan"

- The project "Novel Chitosan Micro-Nanofibers Based on Green Sources for Prevention of Adhesion and Repair after Tendon Injury: Efficacy Evaluation and Industrialization Feasibility Exploration" ("基於綠色來源的新型殼聚糖微－納米纖維用於預防肌腱損傷後的粘連及修復：效果評價與產業化可行性探索") received research project funds from Shanghai Pujiang Talent Program

Intellectual property rights

The Group always attaches importance to the protection of intellectual property rights (IPRs), and protects the R&D achievements by formulating and implementing a series of practical and effective measures. We have sorted out the management system for intangible assets such as patent rights and trademark rights in accordance with the Patent Law of the People's Republic of China, the Rules for the Implementation of the Patent Law of the People's Republic of China, the Trademark Law of the People's Republic of China, Guide to Patent Examination and other relevant laws, regulations and normative documents, and formulated the Trademark Management Regulation, the Patent Management Regulation, the Control Procedures for Risk Management of Intellectual Property Rights and the Procedures for Dispute Resolution of Intellectual Property Rights to identify, evaluate and control potential IPRs risk hazards in production, sales, R&D and other products-related activities, and integrate IPRs management into the daily operation of each relevant department.

Risk management and control	• We have established and implemented a series of internal systems relating to R&D, project declaration, and intellectual property management to identify, evaluate and control potential intellectual property risks in production, sales, and R&D
System construction	• We continue to improve the standardization of intellectual property rights. Both the Company and its subsidiary Shanghai Jianhua have obtained intellectual property management system certification
Regular trainings	• We attach importance to the trainings on intellectual property rights. The Group organizes intellectual property management trainings every year for senior managers and employees from relevant departments such as R&D, project management, and quality control
Internal audit	• The audit department carries out self-evaluation on internal control every year. Any problem found during the self-evaluation of intellectual property management can be rectified in a timely manner

IPR Management Measures

During the Reporting Period, we applied for 111 newly registered trademarks, obtained 358 registered trademarks, applied for 39 patents, and authorized 105 patents. We did not have any litigation related to IPRs during the Reporting Period.

3.2 Quality assurance

During the Reporting Period, the Group operated in strict compliance with the relevant medical laws and regulations, including the Pharmaceutical Administration Law of the People's Republic of China, Good Manufacturing Practices ("GMP") for Drugs, Good Supply Practice ("GSP"), Good Clinical Practices for Drug Trials, Administrative Measures for Recall of Drugs, Administrative Measures for Reporting and Monitoring of Adverse Drug Reactions, Regulations on Supervision of Medical Devices, Administrative Measures on Production and Supervision of Medical Devices, Administrative Measures on Standards of Medical Devices, Administrative Rules on Quality of Good Clinical Trials for Medical Devices and Administrative Measures for Recall of Medical Devices, as well as relevant quality system standards such as ISO 9001 Quality Management System Standards and ISO 13485 Medical Device Quality Management System.

The Company and its subsidiaries have established quality management systems covering the entire lifecycle of products from design, R&D, raw materials procurement, production and storage all the way through to sales operations and after-sales services by their product categories and local regulatory requirements, respectively, and ensure the effective operation of the quality management systems. The Group has established a Quality Assurance Department ("QA") and a Quality Control Department ("QC"), which cooperate with the procurement department, R&D department, medical department, marketing department and other departments to fully implement the quality management system of the Company and its subsidiaries, ensuring the authenticity, reliability and traceability of the data in R&D and production links.

We pay due attention to trainings related to quality management and product safety. During the Reporting Period, the Company and its subsidiaries actively formulated internal annual training plans, training the employees concerned with quality control, in addition to organizing relevant employees to participate in the online publicity meeting of Regulations on Supervision of Medical Devices held by drug supervision and administration departments at all levels, trainings on monitoring and reviewing medical equipment adverse events, special trainings on pharmacovigilance quality control specification and other external trainings. Shanghai Qisheng conducted annual internal trainings and assessment on laws and regulations related to the production and quality control of medical devices from mid-July to early September 2021 based on the general requirements of the quality control system. NIMO, a subsidiary of the Company, prepared monthly training plans and provided trainings on relevant knowledge to employees with ophthalmic products as the training theme, as well as the training focuses on the design philosophy, interpretation of basic parameters, indications and non-indications of relevant ophthalmic products. Henan Universe, a subsidiary of the Company, has invited external experts, including local industry associations and professional consulting institutions, to provide professional trainings on quality control of medical device and specific operation techniques when formulating, organizing and implementing the annual training plan for employees.

Raw materials procurement

Quality raw materials are the basis for ensuring quality products. The procurement and monitoring procedures of raw materials are an important part of the quality management and control system of pharmaceutical companies, which directly affects the stability, safety and effectiveness of product quality. The Company and its subsidiaries have established a procurement management system based on their respective procurement and business characteristics. While ensuring the quality of raw materials, we improved the transparency of the procurement process and optimized the procurement process. The Group has established strict standards for supplier access and audit. We decide whether a supplier meets our quality requirements by taking measures such as reviewing the supplier's quality assurance system, understanding the supplier's product quality, and conducting on-site audits on the supplier; and we give priority to suppliers with better performance on environmental protection and social responsibility after comprehensive evaluation of their product and service quality, as well as price level. In addition, the Company's procurement and supply center focuses on the unified selection and management of suppliers of important raw materials on the basis that each subsidiary purchases raw materials separately, which not only ensures the stability of the quality of important raw materials, but also reduces procurement costs through large-scale procurement.

After purchasing raw materials, we strictly check the quality source through the raw material quality inspection processes with a clear division of labor. The Quality Assurance Department is responsible for the receipt, quantity check, inspection and distribution, and storage management of raw materials entering the factory; the laboratory samples the raw materials, conducts quality inspections and issues inspection reports; and the packaging materials inspectors of the Quality Assurance Department are responsible for the visual inspection of packaging materials and quality inspection of other projects, and issuance of the inspection report of the packaging materials.

During the Reporting Period, we had a total of 262 suppliers from mainland China and 57 suppliers from overseas, Hong Kong, Macao and Taiwan.

Production inspection

The Company and its relevant subsidiaries have established sound quality management systems and made quality supervision records during the production process. The quality personnel of the Quality Assurance Department is responsible for the quality supervision of the production process of each batch of pharmaceutical products, so as to ensure that the production is carried out in accordance with the registered and approved process. All semi-finished and intermediate products are not allowed to enter the next step of process if they have not been inspected or failed to pass such inspections. Each batch of products is sampled and sent for inspection in accordance with the regulated quantity. The laboratory technicians conduct quality inspections on each batch of finished products in accordance with the inspection operating procedures and technical standards for each type of product, and then issue an inspection report based on the inspection results. The quality personnel shall keep true and complete records of the quality supervision during the production process to ensure the traceability of product quality. All kinds of unqualified products found in the production process shall be dealt with in accordance with the Control Procedures for Unqualified Products and other regulations to prevent them from flowing into normal products.

Pharmacovigilance and product recall

The traceability of its products is a great concern for the Group. We ensure that the product information is reliable and kept in record in every step from the arrival of raw materials to production, storage and transportation. We retain product sales and callback records in accordance with the laws and regulations to meet the traceability requirements. In order to improve work efficiency and ensure the timeliness and accuracy of information retention, the Company and its subsidiaries have set up a computer information management system that meets the requirements for quality control of pharmaceutical products to ensure the pursuit of pharmaceutical products in production, warehousing and sale. At the same time, we also require distributors to establish and implement incoming inspection system and sales record system in accordance with relevant laws and regulations to ensure traceability of products in the supply chain.

We have also developed a set of detailed product recall procedures and rules in accordance with the requirements of relevant laws and regulations on recalls of pharmaceutical products and medical devices. According to the seriousness of product defects, we divided product recalls into three levels. Recalls are systematically planned and executed based the recall level and actual use of the products, so as to protect consumers' interests and health. We have established a complete safety monitoring and management system for pharmaceutical devices, and ensured the compliance and effectiveness of the system operation. The processes of security monitoring and management system for medical equipment include management regulations for reporting and monitoring of adverse drug reaction, for monitoring and reevaluation of medical device adverse events, for the warning system of medical equipment, for the trainings on the warning system of medical equipment, for reporting safety information of medical equipment, and for case security report of post-marketing medical equipment.

During the Reporting Period, the Group did not have any product recall events caused by product quality defects.

3.3 Responsible marketing

Advertising and labeling

The Group designs and registers/files labels and instructions of its products in accordance with the Pharmaceutical Administration Law of the People's Republic of China, the Regulations on Supervision of Medical Devices, the Provisions on the Administration of Pharmaceutical Directions and Labels and the Provisions on the Administration of Instructions and Labels of Medical Devices. We submit the content of pharmaceutical product advertising to the drug supervision and administration department for review in accordance with the Advertising Law of the PRC and other requirements of laws and regulations on pharmaceutical product advertising, and release the advertising after approval to ensure that the content is true and accurate, and not misleading or deceptive.

Serving with heart

To continuously improve service quality of the Group, we actively listen to customers' feedback and opinions. Besides, we listen to customers' opinions on market, products and services by visiting customers regularly and organizing annual customer satisfaction surveys. Customer feedback and complaints are collected via multiple channels such as sales employees and adverse reaction reporting hotline. Upon receiving a feedback or complaint from a customer, we communicate immediately with relevant departments, and take prompt and effective measures to develop a satisfactory resolution for the customer. If the product complaint is indeed a product quality defect and there is a potential safety hazard, and it is necessary to take recall measures, we will handle it according to the product recall procedures. During the Reporting Period, the Company and its subsidiaries manufacturing pharmaceutical products in China received a total of 9 quality-related complaints, all of which have been properly handled.

At the same time, the Group attaches great emphasis to the regulation and management of adverse reactions and adverse events, strictly implements the Administrative System for Reporting and Monitoring Adverse Reactions of Drugs and the Administrative Measures for Monitoring and Reviewing Medical Equipment Adverse Events and other laws and regulations, and requires its subsidiaries to submit information on adverse reactions and events collected by them in a timely manner. Information on adverse reactions and events shall be proactively collected via telephone, email, customer visits and other channels for timely investigation, analysis, evaluation and reporting.

The Group prioritizes the protection of personal information and privacy including customers' personal information and privacy, and strictly abides by the Civil Code of the People's Republic of China and the Personal Information Protection Law of the People's Republic of China and other laws and regulations that regulate personal information and privacy protection. The internal systems such as the Employee Handbook and the Information Confidentiality Management System formulated by us clearly stipulate the confidentiality of customer information and the responsibility for violation. In addition, we also cooperate with customers on individual projects and sign confidentiality agreements with customers to protect their non-public information in the form of contracts.

04 ENVIRONMENTAL PROTECTION

The Group has always adhered to the concept of sustainable development and is committed to integrating environmental protection and green operations into all aspects of the Company's business development. We strictly abide by the relevant environmental laws, regulations and industry standards applicable to the location where we operate. At the same time, we formulate various environmental management policies based on our own situation and best practices in the industry, constantly improve the environmental management systems, strictly implement measures for various energy-saving and emission-reduction, and provide employees with trainings on green environmental protection, striving to pursue green development. During the Reporting Period, the Group did not have any violation of environmental laws and regulations.

4.1 Environmental management

The Group strictly complied with the Environmental Protection Law of the People's Republic of China, the Energy Conservation Law of the People's Republic of China, Regulations on the Administration of Construction Projects Environmental Protection, Administrative Measures for Inspection and Acceptance of Environmental Protection upon Completion of Construction Projects, the Water Pollution Prevention and Control Law of the People's Republic of China, the Atmospheric Pollution Prevention and Control Law of the People's Republic of China, the Law of the PRC on the Prevention and Control of Environmental Pollution Caused by Solid Waste, the Soil Pollution Prevention and Control Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Pollution from Environmental Noise, and other relevant laws and regulations and industry standards relating to environmental protection, and on this basis, formulated a series of internal environmental management documents to guide employees to improve environmental compliance standards in daily production.

In response to potential environmental risks in production, the Group has prepared standardized documents such as the Risk Assessment Report for Environmental Emergencies and Emergency Response Plans for Environmental Emergencies, and regularly conducts full-scale safety drills to improve the ability to prevent and control environmental emergencies.

During the Reporting Period, the Company has obtained the ISO 140001 environmental management system certification.


ENVIRONMENTAL MANAGEMENT SYSTEM
CERTIFICATE OF CONFORMITY
Shanghai Haohai Biological Technology Co., Ltd.
Date Aug.24, 2021
IAF CNAS
Shanghai Audit Center of Quality System

Based on the current operation status and industry situation, we set targeted and feasible targets in terms of carbon emissions, energy use efficiency, waste reduction and water use efficiency to help us better fulfill the corporate social responsibility and make positive contributions to promoting the green development of the industry.

Energy use efficiency target

Continuously improve energy use efficiency and seek opportunities to use clean energy.

— Integrate energy-saving design and energysaving equipment into new plants;
— Incorporate policy guidance related to the "dual carbon" target into the Group's emission management, coordinate the daily management of automotive gas oil, implement daily office energy-saving measures, and publicize energysaving awareness.

Water use efficiency target

Further improve the utilization rate of water resources after 2026.

— Strengthen the management of water metering, and continuously optimize the management of water metering records and statistical ledger;
— Maximize water reclamation and reuse;
— Increase water conservation awareness education and trainings for employees and suppliers.

Waste reduction target

The intensity of hazardous waste (total waste/revenue) shall be stable with decline.

— Construction projects shall be equipped with environmental protection facilities in accordance with laws and regulations, and 100% of hazardous waste shall be disposed of in compliance with regulations;
— Conduct laboratory waste assessments to reduce the generation of hazardous waste.

Carbon emissions target

Actively implement the national "dual carbon" policy and strive to achieve negative growth in carbon emission intensity.

— Continuously improve the management mechanism related to carbon emission reduction, and integrate policy guidance related to the "dual carbon" target into the Group's emission management;
— Carry out low-carbon-related publicity and trainings for partners and employees;
— Explore opportunities in renewable energy and carbon reduction technologies.

In the daily office environment, we continuously display information on environmental protection and energy conservation, promote paperless office and the use of double-sided printing to reduce the consumption of office paper, and have administrative employees check whether all power-consuming equipment in the office are turned off before going off work, so as to reduce electricity consumption in the office; and in the staff cafeteria, we promote employees to choose meals on demand, and continue to carry out the "clear your plate" campaign.

4.2 Energy conservation and consumption reduction

The Group strictly abides by the Energy Conservation Law of the People's Republic of China and other local laws and regulations, continuously improves the management system for energy conservation, ensures the compliance and conservation management of resources and energy use, actively fulfills its social responsibilities, and strives to explore a more sustainable operation mode.

Energy management

The energy resources consumed by the Group mainly include electricity, natural gas, externally purchased steam and fuel oil for motor vehicles. To promote energy conservation and emission reduction and reduce our carbon footprint, we are committed to improving energy use efficiency and reducing energy consumption through reasonable and feasible facility upgrading and production process optimization in all aspects of our R&D, production, and operation.

Equipment upgrading

- Sanhe Laserconn Tech Co., Ltd., a subsidiary of the Company, uses semiconductor lasers in product R&D to improve the incident photon-to-electron conversion efficiency (IPCE);

- Shanghai Likangrui, a subsidiary of the Company, replaced approximately 1,500 fluorescent lamps with LED lamps, which increased the service life of the lamp tubes and reduced electricity consumption.

Process optimization

- By improving the production process of its products, the Company reduces the dissolution time of polysaccharide raw materials to 1/8 of the original time, which reduces the consumption of water, electricity and gas in workshop production;

- For the product dialysis process, we use room temperature dialysis instead of the low-temperature dialysis process commonly used in the past under the premise of ensuring product quality, which reduces energy consumption and requirements for cooling equipment.

Water resources management

The Group strictly abides by the relevant laws and regulations on water resources where it operates, and adheres to the concept of water conservation throughout its production and operations. We adopted water circulation and cooling technology, and optimized process for reducing dialysate consumption and other measures in R&D to ensure product quality and reduce waste of resources at the same time. To reduce the pressure of production and operation on natural resources and improve the efficiency of water resources use in production, the Company's Songjiang production site has carried out the construction of the reclaimed water reuse project. The reclaimed water reuse system was used, and during the Reporting Period, approximately 12,995 tonnes of water was saved using the system. Shanghai Likangrui production site has added return pipes in the water preparation system, and the pure water treated by the secondary reverse osmosis system directly flows back to the original water tank to recycle the water, and each production unit is equipped with a water meter to monitor daily water use anomalies.

During the Reporting Period, the water consumption of the Group's production and operation was mainly from municipal water supply, and there was no risk in obtaining suitable water sources.

Type	Unit	2021	2020
Resource consumption			
Water consumption	Tonnes	320,552[2]	229,074
Water consumption intensity	Tonnes/RMB10,000 of revenue[1]	2.30	2.07

Note 1: "Revenue" refers to the operating revenue of the Company and its Domestic Subsidiaries during the Reporting Period.

Note 2: During the Reporting Period, water consumption increased by about 39.93% compared with that in 2020, mainly because the output of most products produced by the Group's domestic production sites during the Reporting Period increased significantly compared with that in 2020, resulting in a corresponding increase in water consumption for production.

Packaging materials management

The packaging materials used by the Group in production activities mainly include paper, plastic and glass. While ensuring product quality and transportation requirements, we continue to save packaging materials and optimize working processes in every link such as product packaging design, product production and material transportation. In production, we have established the operating procedures for each packaging material in accordance with the requirements of the quality control system to minimize the use and waste of packaging materials. In transportation of products, we used bolted wooden cases and easily removable aluminum cases to improve the reuse efficiency of transportation materials. In the meantime, the Group regularly carries out trainings and promotions for green office among employees, improving employees' awareness of saving office resources and reducing waste of paper and other resources. During the Reporting Period, the packaging materials consumed by the Group were as follows:

Type	Unit	2021	2020
Resource consumption			
Packaging materials	Tonnes	564.58	474.25
Packaging material intensity	Kilograms/RMB10,000 of revenue[1]	4.04	4.28

Note 1: "Revenue" refers to the operating revenue of the Company and its Domestic Subsidiaries during the Reporting Period.

Climate change response

Climate change is a common challenge for human beings. Under the background of China's active promotion of green and low-carbon development, the Company continues to practice the concept of green and low-carbon development, actively responds to climate change risks, and constantly explores the strategic goals of green transformation.

During the Reporting Period, we adopted the advices of TCFD (Task Force on Climate-related Financial Disclosures), actively identified the potential risks brought by climate change to the Group, evaluated the identified risks based on the development status and industry best practices, and formulated corresponding risk prevention and control measures, so as to better fulfill our responsibilities to stakeholders and promote sustainable development of the Company.

Based on the TCFD guidelines, we sort out the identified climate change risks into two categories: transition risks and physical risks. Transition risks mainly include the potential risks brought about by the transition of technology, procurement, market, policies and laws to a low-carbon economy. Physical risks were mainly identified as risks brought about by extreme weather conditions to the Group's operations. On this basis, we have formulated relevant countermeasures for various risks based on the developmentof the Group and the requirements of laws and regulations. For example, we will continue to strengthen the Group's environmental management capabilities, improve the data collection mechanism, and enhance the transparency of information disclosure, so as to reduce the transition risks arising from stricter policy compliance requirements.

During the Reporting Period, the energy consumption and greenhouse gas emissions of the Group were as follows:

Type	Unit	2021	2020
Energy consumption			
Externally purchased electricity	GWh	26.52[4]	19.77
Unleaded gasoline	Tonnes	62.42[5]	111.90
Diesel	Tonnes	0	2.90
Externally purchased steam	Tonnes	9,872.26	10,588.63
Natural gas	Standard cubic meters	2,014,772	1,555,197
Integrated energy consumption	Tonnes of standard coal	6,836.81	5,748.83
Integrated energy consumption intensity	Standard coal (kg)/RMB10,000 of revenue[3]	48.92	51.90
Greenhouse gas emissions			
Greenhouse gases (scope I)[1]	Tonnes of standard CO2e	4,546	3,712
Greenhouse gases (scope II)[2]	Tonnes of standard CO2e	21,314	16,939
Total greenhouse gas emissions	Tonnes of standard CO2e	25,860	20,651
Greenhouse gas intensity	Tonnes of standard CO2e/ RMB10,000 of revenue[3]	0.19	0.19

Note 1: Greenhouse gases (scope I) are generated from combustion of unleaded gasoline, diesel and natural gas.

Note 2: Greenhouse gases (scope II) are generated from the use of externally purchased electricity and steam.

Note 3: "Revenue" refers to the operating revenue of the Company and its Domestic Subsidiaries during the Reporting Period.

Note 4: During the Reporting Period, externally purchased electricity increased by about 34.14% compared with that in 2020, mainly because the output of most products produced by the Group's domestic production sites during the Reporting Period increased significantly compared with that in 2020, resulting in a corresponding increase in electricity consumption for production.

Note 5: During the Reporting Period, the consumption of unleaded gasoline dropped significantly compared with that in 2020, mainly because the Group further strengthened the unified management of office vehicles and standardized the use of fuel cards for vehicles during the Reporting Period.

4.3 Compliant emissions

The Group strictly abides by the Law of the PRC on the Prevention and Control of Environmental Pollution Caused by Solid Waste and other relevant national laws and regulations on pollution prevention and control, and has formulated the Regulations on Hazardous Waste Management, the Control and Management System for Life and Production Wastewater, the Management System for Solid Waste Classification, Recycling and Disposal and other internal systems for the waste management to improve its management capabilities for emissions and perfect the management system for the whole process of emissions from source to treatment, striving to reduce the negative impact of production and operation on the environment.

Emissions from the operation of the Group mainly include waste gas, wastewater, and solid waste. During the Reporting Period, the Group's emissions data were as follows:

Type	Unit	2021	2020
Waste gas			
Total waste gas emissions	Million cubic meters	317.05[4]	25.42
SO_2 emissions	Tonnes	0.32	0.05
NOx emissions	Tonnes	1.28	0.94
VOCs emissions	Tonnes	0.71	0.22
Wastewater			
Total wastewater emissions	Million cubic meters	0.20	0.17
COD emissions	Tonnes	8.46[5]	15.31
Ammonia nitrogen emissions	Tonnes	0.29	0.15
Non-hazardous waste			
Total non-hazardous waste produced	Tonnes	294.42	305.60
Intensity of non-hazardous waste produced	Kilograms/RMB10,000 of revenue[3]	2.11	2.76
Packaging waste produced[1]	Tonnes	20.86[6]	11.41
Packaging materials recycled[2]	Tonnes	71.99	95.77
Total domestic waste	Tonnes	263.29	198.42
Hazardous waste			
Total hazardous waste produced	Tonnes	59.21	55.92
Intensity of hazardous waste produced	Kilograms/RMB10,000 of revenue[3]	0.42	0.50

Note 1: The data caliber of the amount of packaging waste produced is the total amount of non-recyclable packaging waste (such as cartons, cardboards, bottles, etc.).

Note 2: The data caliber of the amount of packaging materials recycled is the total amount of recyclable packaging waste materials.

Note 3: "Revenue" refers to the operating revenue of the Company and its Domestic Subsidiaries during the Reporting Period.

Note 4: During the Reporting Period, 5 exhaust funnels were added by Shanghai Likangrui, with the exhaust volume of the original exhaust funnels increased, therefore, the statistics of organized emissions also increased accordingly.

Note 5: During the Reporting Period, the COD emissions decreased significantly from 2020, mainly because the Group further improved the biochemical treatment capacity in wastewater treatment.

Note 6: During the Reporting Period, the non-recyclable packaging wastes increased significantly from 2020, mainly because the internal packaging of some products of the Group and the packaging of some raw materials of the products were non-recyclable materials, while the output of related products increased significantly during the Reporting Period, resulting in a corresponding increase in non-recyclable packaging wastes.

Waste gas emissions management

The waste gas emissions of the Group mainly include waste gas emissions from boilers, production process and laboratories. The Group strictly complies with the Boilers' Air Pollution Discharge Standards, the Pollutant Emission Standards for Biopharmaceutical Industry, and the Comprehensive Standards for Air Pollutant Discharge and other relevant standards and laws and regulations on waste gas emissions in its operating locations, gradually improves the waste gas emissions management system, and takes measures for various waste gas management, strictly controlling the waste emissions below the national standards.

During the Reporting Period, to ensure the compliance and standard discharge of waste gas, and to ensure the continuity of the production process, we installed online exhaust detection systems at our main production sites, and signed a contract with the service provider for the operation and maintenance of exhaust gas online monitoring facilities, ensuring their normal operation. At the same time, we have formulated relevant emergency response plans to prevent and control the risk of excessive exhaust gas in a timely manner. When the exhaust gas discharge exceeds the standard due to the failure of the exhaust gas treatment facility, the on-site personnel shall immediately notify the emergency command department, and stop production and close the valve. Any person who is unwell shall immediately evacuate to the upwind safe area, or seek medical treatment immediately in serious cases. After the failure occurs, emergency rescue personnel wearing protective masks shall immediately repair the exhaust gas treatment facilities to control the risk of excessive exhaust gas in time.

Regularly check the VOCs in each exhaust funnel, replace the activated carbon and replenish the fluid alkaline on a regular basis.

Regularly replace the odor spray facility for volatile organic compounds ("VOC") of the sewage plant to avoid the risk of waste gas treatment due to aging of equipment.

The quality inspection room is equipped with an activated carbon adsorption device, so that the VOC generated by the fume hood and universal exhaust hood enters the activated carbon adsorption device for purification treatment, thus reducing VOC emissions.

Measures for waste gas emission reduction

Wastewater discharge management

The wastewater produced by the Group includes domestic sewage, R&D and production wastewater, and circulation cooling system sewage. We strictly implement the Pollutant Emission Standards for Biopharmaceutical Industry, the Comprehensive Standards for Wastewater Discharge and other relevant requirements for wastewater discharge in our operation locations. In light of their own conditions, each major production site has formulated the Control and Management System for Life and Production Wastewater, the Operating Procedures for Sewage Disposal System and other internal policies to standardize wastewater discharge. The Group continued to optimize its wastewater discharge initiatives, and enhanced its wastewater treatment capacity by strengthening the construction of wastewater discharge infrastructure, continuously conducting monitoring and evaluation, and gradually optimizing wastewater treatment process.

In addition, in order to prevent the leakage of chemicals and hazardous wastes into the water body, we have established a "three-level prevention and control" mechanism from the source to the end, setting up multiple lines of defense for wastewater discharge to prevent polluted wastewater from impacting the surrounding environment.

Source prevention and control	• Basic chemicals shall be managed in a sealed state, and hazardous wastes shall be placed in the safety cabinets for dangerous goods to prevent seepage and leakage, reducing the possibility of leakage to the ground.
Processes treatment	• Liquid chemicals shall be placed in double containers, which can intercept the liquid in the secondary container in the event of a small amount of leakage, and entrust a professional agency of third-party manufacturers to deal with the leaked materials that can be effectively collected; • Set up thresholds, baffles and impermeable hardened floors to prevent leaks from infiltrating underground. At the same time, an emergency pool is set up to store a large amount of leakage and fire-fighting wastewater. After treatment, the leaked materials that reach the standards will be discharged into the municipal sewage pipe after being monitored by the professional agency of third-party manufacturers.
Processes treatment	• Install rainwater shut-off valves and emergency pools. In the event of an accident, the leakage will be collected by the pipeline to the emergency pool to prevent the leakage from being discharged into the external environment.

Solid waste management

The Company and its subsidiaries strictly abide by the Law of the PRC on the Prevention and Control of Environmental Pollution Caused by Solid Waste, the Standards for Pollution Control on the Storage and Disposal Site for General Industrial Solid Wastes, the Standards for Pollution Control on Hazardous Waste Storage and other laws and regulations, and formulated a series of internal rules and regulations according to their respective operating conditions, such as the Wastes Management Regulation, the Waste Classification Management Regulation, the Emergency Plan for Hazardous Waste, and the Control and Management Regulation on Storage, Use and Disposal of Hazardous Chemicals.

We have set up corresponding sites and collection buckets for different types of solid wastes, such as storage yards for non-recyclable general industrial wastes, windproof, rainproof and seepage-proof hazardous waste storehouse for storing hazardous wastes, and collection buckets for domestic waste and kitchen waste, so as to standardize the classification, recycling and disposal of solid waste. At the same time, according to the classification of solid wastes and the professional background of relevant department personnel, we further standardize and optimize the waste management and processes of each relevant department, requiring all relevant departments to work cooperatively. For example, in the Company's Songjiang production site, administrative staff shall be responsible for the recycling and disposal of recyclable general industrial wastes, domestic wastes and kitchen wastes, and the engineering department and the production department shall be responsible for the recycling and disposal of non-recyclable general industrial wastes and hazardous wastes. Hazardous wastes from production and operations are entrusted to qualified units of third-party for disposal.

Noise management

The Group strictly complies with the Law of the People's Republic of China on the Prevention and Control of Environmental Noise Pollution and the Environmental Noise Emission Standards at the Boundary of Industrial Enterprises. Environmental noise that may be generated during the work progress of construction projects shall be reported to the local ecological environment authority before the commencement of construction according to law. For environmental noise generated from production, each major production site has formulated a noise control management policy that suits its own condition. Measures such as outlet noise reduction, foundation vibration isolation, and building sound insulation are adopted respectively in accordance with the characteristics of each noise source.

05 HARMONIOUS TEAM

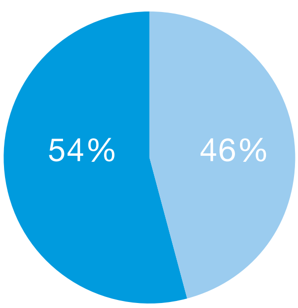
We firmly believe that human capital is critical strategic resource for the sustainable development of an enterprise. We protect the basic rights and interests of staff and gather staff together through diversified and fair employment policies, scientific and reasonable training systems, competitive incentives and a healthy and friendly working environment, striving to create a win-win situation for staff and the Group to grow together.

5.1 Overview of employees

The Group attaches great importance to the legality and compliance of employment, and we strictly abide by the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Social Insurance Law of the People's Republic of China, the Work Safety Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, the Regulations on Labor Protection of Female Workers, the Provisions on Prohibition of the Use of Child Labor and other laws and regulations, and formulated the Recruitment Management Regulation, the Training Management Regulation, the Employee Performance Appraisal Policy (Trial), the Key Position Management Regulation (Trial), the Holiday Management Regulation (Trial), the Remuneration Management Regulation (Trial), the Turnover Management Regulation (Trial), the Employee Handbook and a series of internal rules and regulations, which have clearly stipulated working hours and holidays, remuneration and benefits, conditions for the termination and cease of labor relations, and standardized the human resources management process to ensure that the employment process is transparent and legal. We are determined to eliminate child labor and forced labor, and incorporate provisions against discrimination and the avoidance of child labor and forced labor into the Employee Handbook. If the aforementioned improper behaviors and phenomena are found, after full investigation, the relevant responsible personnel will be held responsible according to the internal system, the severity of the consequences of the improper behaviors and their post responsibilities. During the Reporting Period, the Group did not engage in any illegal employment practices involving child labor or forced labor.

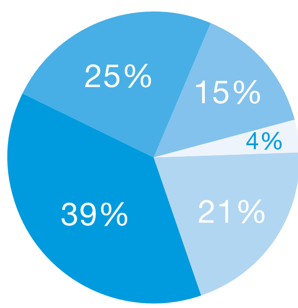
We are committed to creating an equal and non-discriminatory work environment for our employees. We oppose employment discrimination due to the gender, age, race, religious belief of candidates in recruitment, and ensure that all employees enjoy equal employment rights. At the same time, we continue to optimize the structure of our talent team and focus on a balanced gender ratio of employees. As at the end of the Reporting Period, the Group had a total of 1,892 employees, all of whom were full-time employees. The staff structure was as follows:

Number of employees by gender



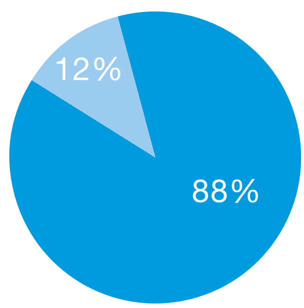
- Male/869
- Female/1,023

Number of employees by age



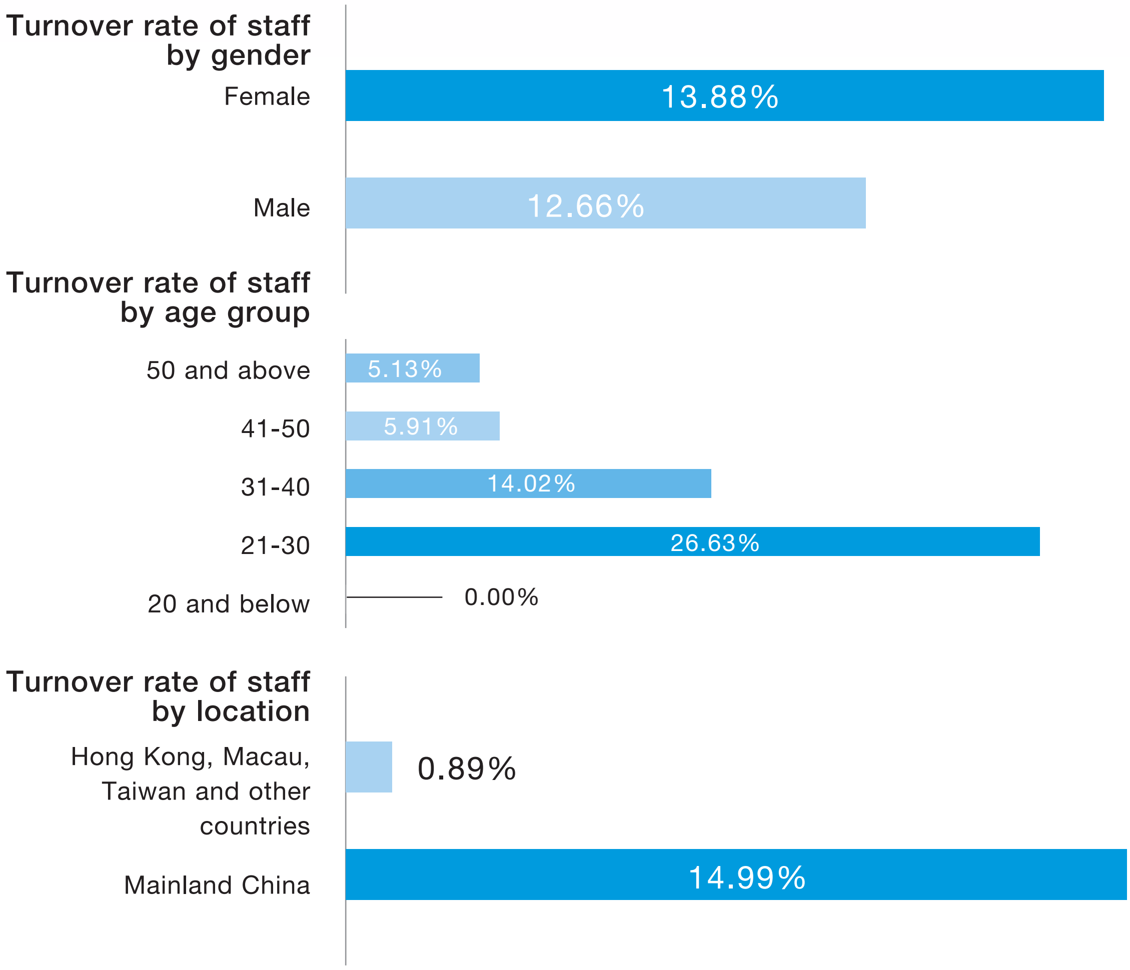
- 20 and below/5
- 21-30/398
- 31-40/742
- 41-50/474
- 50 and above/273

Number of employees by region



- China mainland/1,668
- Hong Kong, Macau, Taiwan and overseas/224

During the Reporting Period, the number of employee's turnover of the Group was 252, with a turnover rate of 13.32%. The specific turnover structure of employees was analyzed as follows:



5.2 Development of employees

Remuneration and benefits

We continue to improve the compensation and benefits system to attract talents, enlarge our talent pool, enhance employee loyalty, and increase corporate cohesion.

Incentives for key human capital and the resulting innovation capabilities are key to the sustainable development of the Group. To attract and retain core management personnel, core technologies or business backbones, fully mobilize their enthusiasm and creativity, and enhance the cohesion of core team and the competitiveness of the Company, on 29 December 2021, the Board agreed to recommend the adoption of the Company's 2021 A-Share Restricted Stock Incentive Plan, which was approved and adopted by the shareholders on 7 March 2022. On 11 March 2022, the Board held a meeting and determined 11 March 2022 as the first grant date to grant 1,440,000 Restricted Shares to 204 participants at the grant price of RMB95.00 per A share in the first grant of Restricted Shares under the Incentive Scheme.

The Group has also implemented targeted welfare measures for employees in different situations. For example, we implemented "talent introduction and subsidy application", improved the efficiency in project application for highly educated employees and professional and technical personnel, and provided transportation and housing subsidies for fresh graduates. In addition, we have established a variety of incentive policies for R&D personnel, such as scientific research incentives, patent incentives, and post-launch R&D incentives for new products, to effectively stimulate the enthusiasm of R&D personnel.

Multi-channel recruitment

We have formulated the Recruitment Management Regulation to standardize the recruitment process, and proposed annual recruitment goals and recruitment plans to introduce outstanding talents and enrich the talent team. We conducted a comprehensive evaluation of talents in terms of professionalism and job skills in recruitment. We explored multi-channel recruitment and introduced talents through campus recruitment, agency recommendation, social recruitment, internal recommendation and market hunting. During the Reporting Period, we carried out a variety of online and offline talent recruitment, and actively promoted cooperation with a number of universities to explore the talent training model of school-enterprise cooperation.

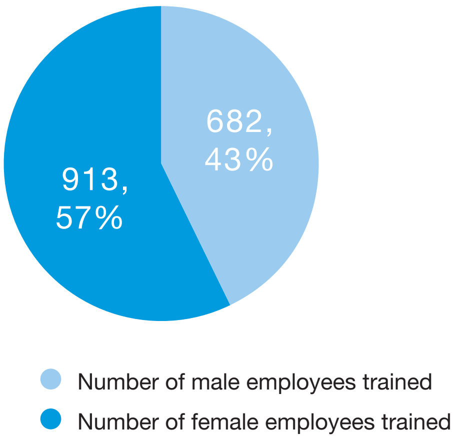
The Company cooperates with Shanghai Vocational College of Agriculture and Forestry ("**SHAFC**") to explore the school-enterprise cooperation mode for vocational education. The Company, as the teaching practice base of SHAFC, provides training venues and skill instructors for the students of SHAFC, and creates internal opportunities in internship and trainings for them. Since the cooperation with SHAFC, a total of more than 10 students from SHAFC have come to the Company for internships, and 8 of them have been retained and established formal labor relations with the Company. The school-enterprise cooperation mode also plays an active role in the stable introduction of professional talents for the Company.

Trainings for employees

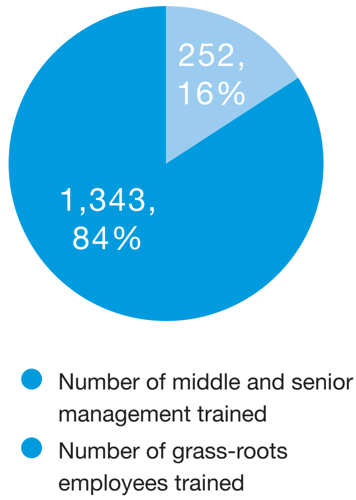
The Group attaches great importance to the improvement of employees' comprehensive capabilities, strives to create a learning atmosphere for all employees, and ultimately achieves long-term development and overall improvement of the enterprise. The Company has formulated a relatively complete training management system. While encouraging subsidiaries and departments to organize and carry out diversified trainings, the Company also formulates annual training plans based on industry development, its actual situation and the needs of employees. During the Reporting Period, the Group's trainings mainly included employee induction program, capability improvement program for personnel in the marketing system, capability improvement program for personnel in the production system, and the "Haohai Forum". A total of 1,595 people participated in the training throughout the year, with a total training duration of 13,297 hours, and the average training duration of about 8.34 hours per person.

In 2019, the Company established "Haohai Forum", which invited relevant business leaders in the Group as the keynote speakers, with a different theme for each quarter, providing a professional and stable platform to employees for knowledge sharing, professional exchanges, and self-exhibition. During the Reporting Period, the Company provided trainings on the internal control and management of fixed assets, knowledge and experience in project management, pharmaceutical production quality standards, as well as laws and regulations on the warning system of medical equipment to engineering personnel, procurement personnel, R&D personnel, project management personnel, and personnel in other production positions, through the platform.

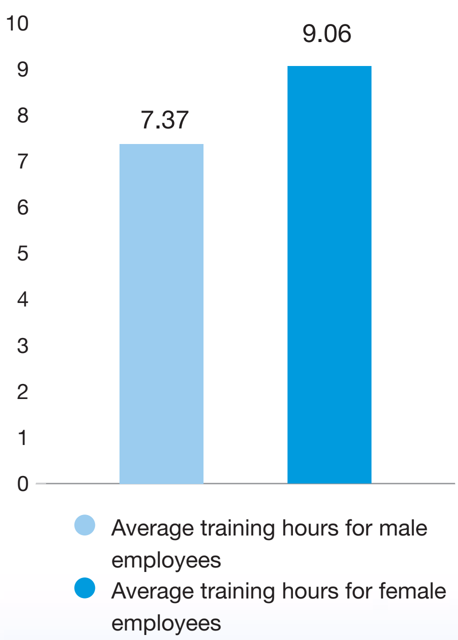
Proportion of employees in training by gender



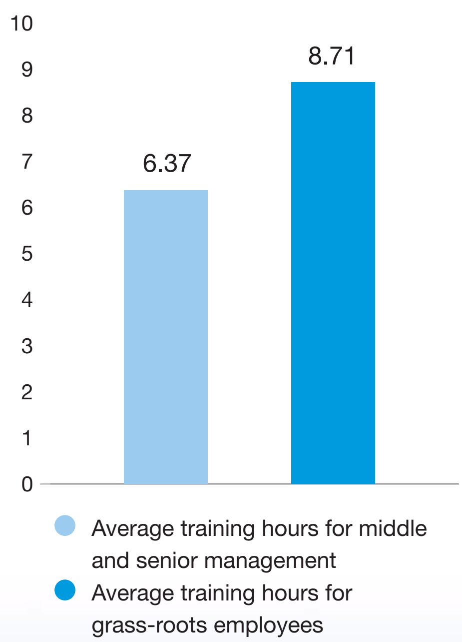
Proportion of employees in training by category



Average training hours for employees by gender



Average training hours for employees by category



Employee promotion

The Company has formulated the Employee Handbook, the Employee Performance Appraisal Policy (Trial), the Operational Procedures for the Appointment and Removal of Management Personnel and other internal rules and regulations to clarify the promotion channels and qualifications of employees at various positions and levels. Each subsidiary has also formulated its own internal systems such as employee handbooks and performance appraisal systems according to their own conditions, so as to smooth the internal development channels for employees.

We have set up a clear performance appraisal mechanism, which includes business performance, professional knowledge, attendance record, attitude toward work, behavior accomplishment and other factors, so as to effectively help employees achieve management goals and work tasks, and encourage employees to discuss career development issues with their superiors, jointly formulate future work goals, and realize the common growth of employees and enterprises.

5.3 Health and safety

Safety management

We always give top priority to production safety, strictly implement the Work Safety Law of the People's Republic of China and other laws and regulations, adhere to the safety management policy of "conducting comprehensive management with safety first and prevention as the main task", and formulated the Safety Responsibility Letter, the Ledger for Investigation, Treatment and Rectification of Hidden dangers in Production Safety, the Safety Education and Training Programme, the Measures for the Administration of Company Safety in Production, the Fire Emergency Drill Plan and other rules and regulations to ensure the occupational health of employees.

We build a safe and comfortable production environment for our employees, purchase and equip safety protection equipment such as gas sensor alarms and explosion-proof cabinets at the production site, regularly maintain and replace fire-fighting equipment and other safety facilities, identify security risk areas with warning labels, and check for hidden safety hazards on a monthly basis and solve the hidden danger once found. For possible major accidents and disasters caused by other factors, we have formulated the Comprehensive Emergency Plan for Production Safety Accidents, the Special Emergency Plan for Sudden Casualty Accidents and the Special Emergency Plan for Sudden Fire Accidents, so as to improve our response to emergencies, minimize the loss of accidents, and maintain the safety and stability of production.

Building a safety culture

Safety drills and trainings are important measures for developing enterprise safety culture. The Group implements localized safety training management. The Company and its subsidiaries formulate safety drills and training plans respectively, conduct regular safety drills and trainings, and record the specific implementation in detail. During the Reporting Period, the Group organized fire emergency drills and hazardous chemicals emergency drills, carried out safety management trainings and special training on hazardous chemicals, provided new employees with "three-level safety education" at the company level, department level and post level, and organized major safety leaders and safety management personnel to participate in the online trainings and assessment on safety production knowledge and management capabilities, so as to comprehensively improve employees' safety production awareness and emergency response capabilities.

In March and September 2021, Henan Universe invited the training instructors of the Henan Fire Training Center to conduct fire safety training for employees. After the training, employees have mastered the basic theoretical knowledge of fire safety, improved their awareness of fire safety, laid a good foundation for the regularization and institutionalization of the Company's fire safety work, and ensured the smooth progress of fire safety work.

Trainings and drills for fire control

Occupational health and safety


OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM
CERTIFICATE OF CONFORMITY

Shanghai Haohai Biological Technology Co., Ltd.

IAF CNAS

Shanghai Audit Center of Quality System

We strictly implemented the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, the Work Injury Insurance Regulations and other laws and regulations. We arranged for employees to have annual physical examinations to keep abreast of employees' health conditions, entrusted qualified third-party testing agencies to test and evaluate the occupational disease hazard factors in the workplace, conducted special occupational health examinations for employees in relevant positions with occupational hazards, and distributed labor protection supplies and high-temperature subsidies on time to comprehensively protect the health of employees. During the Reporting Period, the Company has obtained the occupational health and safety management system certification.

In the past three years, the Group has not experienced any accident of work-related deaths, and the number of work-related deaths in the Group was nil for each year. During the Reporting Period, the loss of working hours of the Group due to work-related injuries was nil. For the occurrence of work-related accidents, the Group will, in accordance with laws and regulations, handle the identification of work-related injury, work ability appraisal and application for work-related injury treatment, and conduct safety education to other relevant employees in the production site to avoid the recurrence of accidents.

5.4 Caring for staff

Upholding the idea of people foremost, the Group endeavors to enhance employees' sense of belonging to the Company through actively improving employee welfare and benefits, organizing various caring activities, team-building activities and festive season celebrating activities. The Company and its subsidiaries provide employees with a variety of care policies according to their own circumstances. For example, we provide female employees with nursing rooms, provide retired workers' mutual medical insurance for retired workers or rehired employees, adjust working time reasonably for employees suffering from major diseases or difficulties, and provide them with financial and living support. At the same time, we listen carefully to the voices of our employees and fully understand their demands.

Communication with employees

We encourage employees to put forward suggestions or opinions on problems they encountered in life or at work. We have set up an online complaint channel named "Voice of Employees" on the corporate WeChat platform, and revised the Employee Handbook during the Reporting Period, adding "Relations and Communication with Employees" section. When employees believe that they have been treated unfairly at work, or they have raised opinions to their superiors but have not been properly resolved, they can lodge complaints with relevant departments through the processes and procedures stipulated in the revised Employee Handbook. We are willing to accept feasible improvement suggestions from employees, and constantly rectify problems to promote the upward development of the enterprise.

During the Reporting Period, the Group conducted an employee satisfaction survey, and rectified the opinions on canteens, accommodation and remuneration mentioned in the survey. According to the survey, 54% of employees said they were "very satisfied".

Employee activities

The Group pays attention to the spiritual life of employees. In order to deepen exchanges and communication among employees, we organize various employee activities every year to enrich the cultural life of employees. Although the Group is unable to organize large-scale team building, outings and other activities due to the impact of the COVID-19 pandemic, but in compliance with epidemic prevention requirements and ensuring safety, the Group organized small-scale outings, short-distance trips and other team building activities in subsidiaries and departments to enhance cohesion.

In 2021, the Group held the "Cloud Annual Meeting" again, organizing domestic and foreign employees to gather online to review 2021, praise advanced employees, and look forward to 2022 to inspire momentum. In addition, the Group organized all employees to record short videos of New Year greetings in their subsidiaries and departments, and broadcast the videos in a loop through the corporate WeChat platform to show the charm of the team and convey the joy of saying goodbye to the old year and welcoming the new year.

On the Mid-Autumn Festival in 2021, the Company organized a single youth party with the theme of "Blooming Flowers and Full Moon, Destined Fate in Haohai" ("花好月圓，緣聚昊海") for single young employees. The party provided a good platform for young employees to enhance their mutual understanding and enhance their communication through interesting games and wonderful performances.

06 HEART IN COMMUNITY

We have been extending our care for the society and assisting in communities building through charitable donations in our steady business development. Meanwhile, as a pharmaceutical enterprise, we take an active part in the industry associations and participate in the development of industry standards to promote the healthy and sustainable development of the industry in a continuous manner.

6.1 Charity donations

We have been extending our care for the society, and we never forget the original intention of benefiting patients, giving full play to the advantages of the Company's medical resources to give back to the society. During the Reporting Period, the Group's charitable donations amounted to RMB889,534.13.

Charity donations from Henan Universe
During the Reporting Period, Henan Universe donated 100 sets of foldable IOL to the Red Cross Society of Linquan County for the treatment of cataract patients of low-income groups in Linquan County.

Bright Eyes for 100 People Public Welfare Action
The Company, Hangzhou Aijinglun, a subsidiary of the Company, Zhejiang Women and Children's Foundation, Eye Hospital of Wenzhou Medical University, Zhijiang Branch of Zhejiang Eye Hospital and Zhejiang Guangming Charity Foundation jointly launched the "Bright Eyes for 100 People Public Welfare Action" in November 2020, which aims to help 100 women in Zhejiang with ultra-high myopia to improve their eyesight. Hangzhou Aijinglun donated a total of 200 refractive artificial lens. By the end of 2021, the public welfare activity has completed vision correction for 60 patients with ultra-high myopia.

6.2 Contributions to the industry

While enhancing our own competitiveness, the Group continued to boost the development of the industry. We actively participated in the formulation of industry standards and published a number of professional journal papers to facilitate the rapid development of the pharmaceutical and biological industry. The Group has participated in the formulation of 10 industry standards. During the Reporting Period, Shanghai Qisheng participated in the formulation of the industry standard of the Cross-linked Sodium Hyaluronate Gel for Plastic Surgery (《整形手術用交聯透明質酸鈉凝膠》) (YY/T-0962-2021). During the Reporting Period, the Group published "Screening of a Wild Strain with Chitosanase-Producing Ability and Optimization of Its Production Conditions" (《一種產殼聚糖酶野生菌株的篩選及產酶工藝優化》) (Food Science and Technology, 2021, Vol.9, No.46), "Determination of Sucrose in Porcine Thrombin by High Performance Liquid Chromatography (HPLC)" (《高效液相色譜法測定豬凝血酶中蔗糖含量》) (Shanghai Medicine, 2021, Vol.7, No.42), "Fermentation Process Optimization and Preliminary Structure Characterization of Microbial Chitosan" (《微生物源殼聚糖的發酵工藝優化及初步結構表徵》) (Chinese Journal of Pharmaceuticals, 2021, Vol.2, No.52) and other major journal papers. In addition, the Group actively organized and participated in academic exchanges and industry seminars to deepen the communication and cooperation among peers.

In June 2021, the Group participated in the 21st International Congress of Ophthalmology and Optometry China (COOC 2021) held in Shanghai. During the symposium, the Company and Hangzhou Aijinglun held a seminar on our "Yijing" Posterior Chamber-PRL product. This seminar invited more than 10 well-known ophthalmologists to discuss on the patients' follow-up data of "Yijing" products, the R&D of second-generation products and other topics.

APPENDIX – CONTENT INDEX OF ESG REPORTING GUIDE

Subject Area, Aspects, General Disclosures and KPIs		Disclosed in
A. Environmental		
Aspect A1	Emissions	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental Protection: Compliant emissions
KPI A1.1	The types of emissions and respective emission data.	Environmental Protection: Compliant emissions
KPI A1.2	Direct (scope 1) and energy indirect (scope 2) GHG emissions (in tonnes) and (if applicable) intensity (e.g. calculated per unit of production and per facility).	Environmental Protection: Energy conservation and consumption reduction
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Protection: Compliant emissions
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Protection: Compliant emissions
KPI A1.5	Description of the emission targets set and the steps taken to achieve them.	Environmental Protection: Environmental management, compliant emissions
KPI A1.6	Description of the disposal of hazardous and non-hazardous waste, and the waste reduction targets set and the steps taken to achieve them.	Environmental Protection: Environmental management, compliant emissions
Aspect A2	Use of Resources	
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environmental Protection: Energy conservation and consumption reduction
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in ’000s) and intensity (e.g. per unit of production volume, per facility).	Environmental Protection: Energy conservation and consumption reduction
KPI A2.2	Water consumption in total and intensity (e.g. Per unit of production volume, per facility).	Environmental Protection: Energy conservation and consumption reduction

Subject Area, Aspects, General Disclosures and KPIs		Disclosed in
KPI A2.3	Description of the energy efficiency targets set and the steps taken to achieve them.	Environmental Protection: Environmental management, energy conservation and consumption reduction
KPI A2.4	Description of any possible problems in obtaining suitable water sources and the water efficiency targets set and the steps taken to achieve them.	Environmental Protection: Environmental management, energy conservation and consumption reduction
KPI A2.5	Total packaging materials used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Environmental Protection: Energy conservation and consumption reduction
Aspect A3	Environment and Natural Resources	
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	Environmental Protection
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental Protection
Aspect A4	Climate change	
General Disclosure	Policies to identify and address significant climate-related issues that have and may affect issuers.	Environmental Protection: Energy conservation and consumption reduction
KPI A4.1	Description of significant climate-related issues that have and may affect issuers, as well as their responses.	Environmental Protection: Energy conservation and consumption reduction
B. Social		
Employment and Labor Practices		
Aspect B1	Employment	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Harmonious Team: Overview of employees, Development of employees

Subject Area, Aspects, General Disclosures and KPIs		Disclosed in
KPI B1.1	Total workforce by gender, employment type (e.g. full-time or part-time), age group and geographical region.	Harmonious Team: Overview of employees
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Harmonious Team: Overview of employees
Aspect B2	Health and Safety	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Harmonious Team: Health and safety
KPI B2.1	Number and rate of work-related fatalities in each of the past three years (the reporting year included).	Harmonious Team: Health and safety
KPI B2.2	Lost days due to work injury.	Harmonious Team: Health and safety
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Harmonious Team: Health and safety
Aspect B3	Development and Training	
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Harmonious Team: Development of employees
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Harmonious Team: Development of employees
KPI B3.2	The average training hours completed per employee by gender and employee category.	Harmonious Team: Development of employees
Aspect B4	Labor Standards	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	Harmonious Team: Overview of employees
KPI B4.1	Description of measures for reviewing employment practices to avoid child and forced labor.	Harmonious Team: Overview of employees
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Harmonious Team: Overview of employees

Subject Area, Aspects, General Disclosures and KPIs		Disclosed in
Operating Practices		
Aspect B5	Supply Chain Management	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Devoted to Product Development: Quality assurance
KPI B5.1	Number of suppliers by geographical region.	Devoted to Product Development: Quality assurance
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Devoted to Product Development: Quality assurance
KPI B5.3	Description of the practices used to identify environmental and social risks at each stage of the supply chain, as well as the relevant enforcement and monitoring methods.	Devoted to Product Development: Quality assurance
KPI B5.4	Description of the practices of promoting the use of green products and services in supplier selection, as well as the relevant enforcement and monitoring methods.	Devoted to Product Development: Quality assurance
Aspect B6	Product Responsibility	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Devoted to Product Development: Quality assurance, responsible marketing
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Devoted to Product Development: Quality assurance
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Devoted to Product Development: Responsible marketing
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Devoted to Product Development: Innovative development
KPI B6.4	Description of quality assurance process and recall procedures.	Devoted to Product Development: Quality assurance
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Devoted to Product Development: Responsible marketing

Subject Area, Aspects, General Disclosures and KPIs		Disclosed in
Aspect B7	Anti-corruption	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Dedicated to Corporate Governance: Compliance operation
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	Dedicated to Corporate Governance: Compliance operation
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Dedicated to Corporate Governance: Compliance operation
KPI B7.3	Description of the anti-corruption trainings provided to directors and employees.	Dedicated to Corporate Governance: Compliance operation
Community		
Aspect B8	Community Investment	
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Heart in Community
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	Heart in Community
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Heart in Community

EXECUTIVE DIRECTORS

Dr. Hou Yongtai (侯永泰), aged 60, is the chairman and executive Director of the Company. Dr. Hou engaged in postdoctoral research at the pharmacology department of University of Pennsylvania in the U.S. from July 1992 to October 1995. Thereafter, he served as a research investigator at the department of cell and developmental biology of the University of Michigan in the U.S. from 1998 to 2000. From August 2000 to August 2003, he served as a researcher and doctoral degree supervisor at Shanghai Institute of Materia Medica, Chinese Academy of Sciences (中國科學院上海藥物研究所), where he was mainly responsible for establishing screening models for cancer drugs and the application of new biotechnologies (such as RNA interference) on new drugs development. He also served as the overseas manager of the strategy and investment committee at Shanghai Pharmaceutical (Group) Co., Ltd, a company principally engaged in investments, research in pharmaceutical products, medical devices, as well as manufacturing and sale of medical devices from July 2003 to June 2004 and was mainly responsible for assisting its formulation of overseas strategies and implementing its external relations and coordination. During July 2000 to June 2004 and April 2005 to March 2008 at Shanghai Huayuan Life Sciences Research and Development Company Limited (上海華源生命科學研究開發有限公司), he served various positions such as the deputy general manager and the director of the research and development division. He was mainly responsible for formulating product development strategies, establishing its development team and development base as well as implementing its product research and development plans. He has also served as the chairman of Shanghai Qisheng from December 2007 to August 2010. He served as the chairman of Haohai Limited, the predecessor of the Company, from September 2009 to the date of conversion of the Company in July 2010. He has been appointed as the chairman and Director of the Company since July 2010, and was redesignated as an executive Director on 7 December 2014. Dr. Hou obtained a master's degree and a Ph.D. degree from Ohio University in the U.S. in March 1987 and August 1992, respectively.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Wu Jianying (吳劍英), aged 58, is an executive Director and general manager of the Company. Mr. Wu worked as a surgeon at the General Surgery Department of the Second Affiliated Hospital of the Second Military Medical University (第二軍醫大學第二附屬醫院普外科) from 1991 to 1999. He thereafter worked at Shanghai Huayuan Life Sciences Research and Development Company Limited (上海華源生命科學研究開發有限公司) ("**Shanghai Huayuan**") from March 2003 to February 2004, at the Shanghai branch of China Huayuan Life Industry Limited (中國華源生命產業有限公司上海分公司) from February 2004 to May 2005 and at Cinkate Pharmaceutical and Chemical Intermediates (Shanghai) Company Limited (欣凱醫藥化工中間體（上海）有限公司), a company principally engaged in development and production of pharmaceutical and chemical intermediates, as well as selling its own products and providing relevant technical advisory services from May 2005 to July 2007. He served as the general manager at Haohai Limited from July 2007 to June 2010. He has been acting as the general manager at Shanghai Qisheng since August 2010, and the general manager and executive director at Shanghai Likangrui since December 2010. He served as the director of Haohai Holdings since July 2015, the vice chairman of Henan Universe since August 2015 and then the executive director, the executive director of Haohai Development since February 2016, the director of Haohai Healthcare Holdings (Cayman) Co., Ltd., an indirectly wholly-owned subsidiary of our Company since May 2016, the director of Haohai Healthcare Holdings (BVI) Co., Ltd., an indirectly wholly-owned subsidiary of our Company since August 2016, the chairman of NIMO since November 2016 and the general manager of NIMO since January 2022, the executive director of Zhuhai Eyegood from December 2016 to May 2021, and the director of Contamac Holdings Limited since June 2017, and the director of Haohai Aesthetic Holdings (BVI) Co., Ltd., a subsidiary of our Company since November 2017. He also served as a director of Shanghai Pacific Biological Technology Co., Ltd. (上海太平洋生物高科技有限公司) and Shanghai Pacific Pharmaceutical Co., Ltd. (上海太平洋藥業有限公司), subsidiaries of the Company since May 2018, and a chairman of Hangzhou Aijinglun since April 2020. He also served as the director of International Optical Innovation Holdings Co., Limited, a subsidiary of the Company since November 2020, and the director of Art Vision Technology Co., Limited, a subsidiary of the Company since January 2021. He also served as the chairman of Hengtai Vision since April 2021, the chairman of Hebei XSK since April 2021, and the chairman of Nanpeng Optical since January 2022. He has been appointed as the Director and general manager since July 2010, and was redesignated as an executive Director on 7 December 2014. Mr. Wu obtained a master's degree in clinical medicine from the Second Military Medical University in June 1997 and the practicing doctor qualification in the PRC in May 1999.

Ms. Chen Yiyi (陳奕奕), aged 40, is an executive Director of the Company. Ms. Chen joined the marketing department of Haohai Chemical, a company principally engaged in the production and sale of polyurethane composite duct in July 2006 and worked as the marketing manager and assistant to general manager from January 2007 to December 2009, the supervisor of Henan Universe since November 2016, the director of NIMO since November 2016, the supervisor of Zhuhai Eyegood from December 2016 to May 2021. She has also served as an executive director of Qingdao Huayuan since April 2018, a director of Henan Saimeishi Biotech Co., Ltd (河南賽美視生物科技有限公司), a subsidiary of the Company since February 2019, and a director of Hangzhou Aijinglun since April 2020, and a supervisor of Zhuhai Eyegood Vision Technology Co., Ltd. (艾格視光科技有限公司), a subsidiary of the Company since September 2020. She also served as the director of Art Vision Technology Co., Limited, a subsidiary of the Company since January 2021, the director of Hengtai Vision since April 2021, the director of Hebei XSK since April 2021, and the director of Nanpeng Optical since January 2022. She has been appointed as the Director since July 2010, and was redesignated as an executive Director on 7 December 2014. Ms. Chen obtained a bachelor of arts in June 2004 and a Master of arts in June 2006 from Huazhong University of Science and Technology.

Mr. Tang Minjie (唐敏捷), aged 46, is an executive Director of the Company joined the Company in August 2016 as an employee, and became a director of NIMO since November 2016, was appointed as the chief financial officer of the Company on 9 December 2016 and as an executive Director on 14 February 2017, and serves as the director of Contamac Holdings since June 2017, the director of Hengtai Vision since April 2021, and the director of Nanpeng Optical since January 2022. Prior to joining the Company, he worked at Ernst & Young during the period from August 1998 to July 2016 and most recently served as an audit partner from July 2010 to July 2016. Mr. Tang obtained a bachelor degree in economics from the former international business school of the University of Shanghai in July 1998, and was qualified as a certified public accountant ("CPA") in the PRC in June 2000 and CPA in the United States in June 2006.

NON-EXECUTIVE DIRECTORS

Ms. You Jie (游捷), aged 59, is a non-executive Director of the Company. Ms. You worked as a clinician at the Department of Oncology, Longhua Hospital, Shanghai University of Traditional Chinese Medicine (上海中醫藥大學附屬龍華醫院腫瘤科) from July 2004 to July 2014. She also worked as a clinician at the Department of Chinese Medicine, Shanghai Ninth People's Hospital, Shanghai Jiaotong University School of Medicine (上海交通大學醫學院附屬第九人民醫院中醫科) from August 2014 until present, and held a position as a director of Shanghai Haolan Corporate Management Co., Ltd (上海昊瀾企業管理有限公司). She has been appointed as a Director since July 2010, and was redesignated as a non-executive Director on 7 December 2014. Ms. You obtained a clinical doctorate degree from Shanghai University of Traditional Chinese Medicine (上海中醫藥大學) in July 2004 and the practicing doctor qualification in the PRC in May 1999. Ms. You is the spouse of Mr. Jiang Wei.

Mr. Huang Ming (黃明), aged 46, is a non-executive Director of the Company on 19 December 2019, and no longer serve as the Secretary of the Board. Since 1 January 2020, he ceased to be the joint company secretary of the Company. He worked as a manager in Haoyang Investments from September 2008 to June 2010, a director of Haohai Changxing Company Limited, a company principally engaged in the sale of agricultural byproducts since September 2010 and an executive director of Changxing Haoersi Biotechnology Company Limited (長興昊爾斯生物科技有限公司), a company principally engaged in the research and development of biological and plant products from May 2011 to December 2011. He has been serving as a supervisor of Shanghai Jianhua since November 2007, a supervisor of Shanghai Qisheng since December 2007, and a supervisor of Shanghai Likangrui since December 2010. He served as the director of Haohai Holdings since July 2015, the director of NIMO since December 2016 the director of Contamac Holdings since June 2017, and the director of China Ocean Group Limited, an indirectly wholly-owned subsidiary of the Company, since December 2017. He also has served as an associate researcher at Fudan University since October 2017. He also served as a supervisor of Shanghai Qisheng Medical Technology Development Co., Ltd. (上海旗盛醫藥科技發展有限公司), a subsidiary of the Company since April 2018 and served as a supervisor of Shanghai Pacific Biological Technology Co., Ltd. and Shanghai Pacific Pharmaceutical Co., Ltd., subsidiaries of the Company since May 2018. He worked as Secretary of the Board from October 2010 to December 2019, as one of our joint company secretaries from November 2014 to December 2020, respectively. He has been appointed as the Director since July 2010, was re-designated as an executive Director on 7 December 2014, and was re-designated as a non-executive Director on 19 December 2019. He was redesignated as an executive Director on 7 December 2014. Mr. Huang, with former name Huang Ping (黃平), obtained a bachelor of laws in July 1998 and a master of laws in June 2005 from East China University of Political Science and Law (華東政法大學), and a doctoral degree in corporate management from Fudan University in June 2011. He obtained his lawyer qualification in May 1999.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Li Yingqi (李穎琦), aged 45, was elected as an Independent Non-executive Director on 29 June 2020. She is currently a professor at Shanghai National Accounting Institute (上海國家會計學院) since March 2017, and the doctoral supervisor. Ms. Li has served successively as an assistant, the lecturer, the associate professor and the professor in Shanghai Lixin University of Commerce (上海立信會計學院) from July 1999 to February 2017. Ms. Li served as an independent director at Junhe Pumps Holding Co., Ltd. (君禾泵業股份有限公司), a company listed on the Shanghai Stock Exchange during the period from March 2017 to April 2018. Ms. Li served as an independent director at Shenzhen Guangju Energy Co., Ltd. (深圳市廣聚能源股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000096) during the period from April 2018 to April 2021. Ms. Li has been serving as an independent director at Eastern Air Logistics Co., Ltd. (東方航空物流股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601156) since December 2018. Ms. Li has been serving as an independent director at Shanghai International Airport Co., Ltd. (上海國際機場股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600009) since June 2019. Ms. Li obtained a Ph.D. majoring in management from Fudan University in July 2009 and has been a senior member (non-practicing) of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) since March 2015.

Mr. Jiang Zhihong (姜志宏), aged 53, was elected as an Independent Non-executive Director on 29 June 2020. He is currently the vice president and the chair professor of Macau University of Science and Technology. Mr. Jiang conducted post-doctor research work in the Department of Biochemistry and Molecular Pharmacology of Harvard Medical School in the United States during the period from November 1999 to September 2001. Mr. Jiang has served successively as an assistant professor, associate professor and professor at the School of Chinese Medicine in Hong Kong Baptist University during the period from October 2001 to June 2011. Mr. Jiang graduated from Nagasaki University in Japan with a doctor degree in pharmacy in 1998.

Mr. Su Zhi (蘇治), aged 44, was elected as an Independent Non-executive Director on 29 June 2020. He has worked at the Central University of Finance and Economics ("CUFE") (中央財經大學) since June 2009, is currently serving as professor and doctoral supervisor at the CUFE, and the chair professor and the head of the Department of Financial Technology of the School of Finance of CUFE. Mr. Su has been the deputy director of the academic committee of the Institute of International Technology and Economy under the Development Research Center of the State Council (國務院發展研究中心國際技術經濟研究所) since July 2018. Mr. Su has also worked as executive deputy director of CUFE & University of Electronic Science and Technology of China Joint Research Data Center (電子科技大學聯合數據研究中心) since March 2018. He has been an external supervisor of Bank of Guizhou Company Limited (貴州銀行股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 6199) since May 2018, and has been an independent director of Changzhou Kaneken Steel Section Co., Ltd. (常州鋼勁型鋼股份有限公司), a company listed on listed on National Equities Exchange and Quotations (stock code: 872632), since September 2020. Mr. Su obtained a doctor's degree in economics majoring in quantitative economics from Jilin University in June 2006. He engaged in the finance research at the post-doctoral study station of the School of Economics and Management of Tsinghua University from April 2007 to May 2009.

Mr. Yang Yushe (楊玉社), aged 58, was elected as an Independent Non-executive Director on 29 June 2020. He has been working at the Shanghai Institute of Materia Medica, Chinese Academy of Sciences ("SIMM") (中國科學研究院上海藥物研究所) since 1998, and is currently the doctoral tutor and second-level researcher of SIMM. His main research areas include original anti-infective drugs, anticoagulant drugs, and central nervous system drug research and development. His representative achievement is the successful development of China's first new fluoroquinolone drug with independent intellectual property rights – Antofloxacin Hydrochloride in 2009. Mr. Yang won the second prize of the National Technology Invention Award (Rank first) in 2017, the first prize of the Shanghai Technical Invention Award (Rank first) in 2015, the Outstanding Achievement Award of Chinese Pharmaceutical Development for Innovative Medicine Award in 2013, and the title of Shanghai Advanced Worker in 2010 (Model Worker). Mr. Yang obtained a doctor degree in pharmacy from SIMM in 1996.

Mr. Zhao Lei (趙磊), aged 48, was elected as an Independent Non-executive Director on 29 June 2020. He is currently an associate director and researcher at the Commercial Law Office in the Institute of Law of the Chinese Academy of Social Sciences. Mr. Zhao has served successively as an assistant and adjunct professor in Southwest University of Political Science and Law from 2005 to February 2013, and has served as an associate researcher at the Social Sciences in China Press of the Chinese Academy of Social Sciences from March 2013 to November 2016. Mr. Zhao has worked at the Institute of Law of the Chinese Academy of Social Sciences since December 2016. He has been serving as an independent director of Haohan Data Technology Co., Ltd. (北京浩瀚深度信息技術股份有限公司), a company listed on National Equities Exchange and Quotations (stock code: 833175), since October 2016. He has been serving as an independent director of Nanning Department Store Co. Ltd.* (南寧百貨大樓股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600712), since April 2018. He has been serving as an independent director of Shenwan Hongyuan Group Co., Ltd., which is listed on both the Shenzhen Stock Exchange (stock code: 000166) and the Hong Kong Stock Exchange (stock code: 6806) since May 2021. Mr. Zhao obtained a doctor degree of Civil and Commercial Law from Southwest University of Political Science and Law in July 2007.

SUPERVISORS

Mr. Liu Yuanzhong (劉遠中), aged 53, is the chairman of the Supervisory Committee of the Company and a shareholder Supervisor. Mr. Liu joined Liming Research Institute of Chemical Industry (黎明化工研究院) in 1992 and served as an engineer from November 1997 to October 2001. He has been working as an engineer and was responsible for research and development of insulation and car high polymer material at Haohai Chemical from December 2001 until now. He has also been a supervisor of (寧波朗格昊海新材料有限公司) since September 2013. He has been appointed as our Supervisor since July 2010. Mr. Liu obtained a bachelor's degree in industrial analysis from the Department of Applied Chemistry of Beijing Institute of Chemical Technology (北京化工學院) in July 1992 and a master's degree in engineering from East China University of Science and Technology (華東理工大學) in June 2009.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Yang Qing (楊青), aged 50, is an independent Supervisor of the Company. Ms. Yang engaged in post-doctoral research at the Department of Economics of the University of Vienna in Austria from March 2005 to August 2005 and acted as a visiting scholar at the School of Economics, University of Cambridge in England from September 2006 to September 2007, and participated in the Freeman Fellows Program of the University of Illinois at Urbana-Champaign in the U.S. from August 2011 to May 2012. She has joined Fudan University since July 2001 and was responsible for research and teaching work, and she is currently a professor in the School of Economics. She has been appointed as the Supervisor since October 2014. Ms. Yang obtained a bachelor's degree in management information system from Kunming University of Science and Technology (昆明理工大學) in July 1995 and a doctor's degree in management from Fudan University in July 2001.

Mr. Tang Yuejun (唐躍軍), aged 43, is an independent Supervisor of the Company. He has been an associate professor at the School of Management, Fudan University from September 2011 until present. He has also been acting as a master's degree supervisor of MBA and EMBA from January 2011 until present, a master's degree supervisor of corporate management from September 2012 until present. He acted as a visiting scholar at the Arizona State University WP Carey School of Business in US from August 2017 to July 2018. He has been appointed as our Supervisor since October 2014. Mr. Tang obtained a bachelor's degree in economics from Nankai University (南開大學) in June 2001, and a doctor's degree in management from the School of Business of Nankai University in June 2006.

Mr. Wei Changzheng (魏長征), aged 42, is the employee representative Supervisor of the Company. Mr. Wei has been acting as the deputy manager of the research and development department at Haohai Limited, the predecessor of the Company, since October 2009, and he has continued to serve this position after the conversion of Haohai Limited into the Company. He has been working as the manager at the department of research and development in Shanghai Qisheng from October 2009 until April 2016, and a director in the department of research and development since April 2016 to present, and an executive director of Shanghai Qisheng Medical Technology Development Co., Ltd., a subsidiary of the Company from April 2018 to present. He has been appointed as the Supervisor since July 2010. Mr. Wei obtained a doctor of science from Ocean University of China (中國海洋大學) in June 2007. He has also served as a director of Shanghai Qisheng Medical Technology Development Co., Ltd., a subsidiary of the Company, since April 2018.

Mr. Yang Linfeng (楊林鋒), aged 40, is an employee representative Supervisor of the Company. He has been an associate of the chief human resource officer of the Company from July 2011 to November 2015, and he has been a Performance & Development manager of Human Resource since November 2015. He has been appointed as the Supervisor since September 2014. Mr. Yang obtained a doctor's degree in management at Fudan University in June 2011.

SENIOR MANAGEMENT (EXCEPT DIRECTORS AND SUPERVISORS)

Ms. Ren Caixia (任彩霞), aged 64, is the deputy general manager of the Company. She served various positions at Shanghai Huayuan from April 2002 to May 2007. She served as the deputy general manager of Haohai Limited from July 2007 to August 2010. She has acted as the general manager of Shanghai Jianhua since November 2007 and an executive director of Shanghai Lianhua from November 2010 to December 2018. She has been appointed as our deputy general manager since July 2010. Ms. Ren obtained a bachelor's degree in inorganic chemicals from the Department of Chemicals of Hefei University of Technology (合肥工業大學) in September 1982.

Mr. Wang Wenbin (王文斌), aged 55, is a deputy general manager of the Company. He has served as the executive deputy general manager in Shanghai Qisheng from May 1995 until present, and has been serving as the general manager of Qingdao Huayuan since April 2018. He served as the deputy general manager of the company from September 2014 to September 2017 and from March 2019 to present. Mr. Wang obtained a bachelor's degree in medicine from the Second Military Medical University in July 1991 and the practicing doctor qualification in the PRC in May 1999.

Mr. Zhang Jundong (張軍東), aged 48, is a deputy general manager of the Company. He engaged in postdoctoral research in clinical medicine at the Second Military Medical University from November 2006 to October 2010. Between June 2009 to December 2013, he served at the prescription medicine business division of Xinyi Institute of Materia Medica in Shanghai Pharmaceuticals (Group) Co. Ltd. (上海醫藥(集團)有限公司處方藥事業部信誼藥物研究所) as a director of the institute, and he served as the research and development director of Shanghai Xinyi Pharmaceutical Co., Ltd. (上海信誼藥廠有限公司). He served as the deputy general manager of the company from September 2014 to September 2017 and from March 2019 to present. Mr. Zhang obtained a bachelor's degree in pharmacy in July 1994 and a doctor's degree in medicine in June 2006 from the Second Military Medical University.

Ms. Tian Min (田敏), aged 32, is the Secretary of the Board and the joint company secretary of the Company. She joined the Group in July 2015, worked in the office of the Board of the Company, and was appointed as the Company's securities affairs representative in August 2019. She has also serviced as the secretary of the Board since December 2019, the joint company secretary of the Company since January 2020, and the director of Juva Medical since April 2021. She has obtained the "People's Republic of China Legal Professional Qualification Certificate" issued by the Ministry of Justice of the PRC in March 2014, and obtained the qualification certificate of the secretary of the board of directors of the Shanghai Stock Exchange in July 2019. Ms. Tian obtained a Master of Laws degree from East China University of Political Science and Law in July 2015.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

JOINT COMPANY SECRETARIES

Ms. Tian Min (田敏), aged 32, has served as the joint company secretary of the Company since 1 January 2020 and is also the Secretary of the Board. For the resume of Ms. Tian, please refer to the “Senior Management” section above.

Mr. Chiu Ming King (趙明璟), aged 44, was appointed as a joint company secretary of the Company on 17 November 2014. He has joined Vistra Corporate Services (HK) Limited since June 2012 and currently serves as the managing director of corporate services of Vistra Corporate Services (HK) Limited, and prior to joining Vistra Corporate Services (HK) Limited, he was an associate director of corporate services of TMF Hong Kong Limited from October 2009 to May 2012. Mr. Chiu has over 14 years of experience in the company secretarial field. He is currently the company secretary of several companies listed on the Stock Exchange.

Mr. Chiu has been an associate member of The Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators) and The Hong Kong Chartered Governance Institute (“HKCGI”) (formerly known as the Hong Kong Institute of Chartered Secretaries) since 2003, and a fellow member of HKCGI since September 2015. He is also a holder of the Practitioner’s Endorsement Certificate issued by HKCGI. He is currently a member of the Membership Committee and Professional Services Panel of HKICS. He has also been the HKICS’ representative in the Young Coalition Professional Group of The Hong Kong Coalition of Professional Services since 2013.

Mr. Chiu obtained a bachelor of arts from University of Toronto in Canada in June 1999 and received a master of arts in professional accounting and information systems from City University of Hong Kong in November 2003.

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To the shareholders of Shanghai Haohai Biological Technology Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Shanghai Haohai Biological Technology Co., Ltd. (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 121 to 225, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
The Group recorded revenue from the sale of goods amounting to approximately RMB1,750 million in its consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021. Revenue from contracts with customers is recognised when control of goods is transferred to the customers. We focused on this area because revenue recognition was assessed to have higher risks of material misstatement, including significant risks, due to the large transaction volume. The Group's specific disclosures about revenue recognition are included in note 2.4 "Summary of significant accounting policies" and note 5 "Revenue, other income and gains" to the financial statements.	Our audit procedures included, among others: – Discussed with management and obtained an understanding the revenue recognition policy, performed tests of controls on revenue recognition; – Performed tests of details of revenue records selected by the sampling method to check the occurrence and accuracy; – Obtained the sales contracts with customers, and reviewed key terms of revenue recognition and sales return; – Obtained revenue and trade receivables confirmations from main customers and reviewed the reconciliation of any material difference provided by management by checking related documents, and -performed alternative procedures for the confirmations with no response; – Performed analytical procedure by comparing revenue to that of previous years for the same products; – Tested the recognition of revenue transactions close to the period end to assess whether they were recorded in the correct period.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of the carrying value of goodwill and other intangible assets with indefinite useful lives	
Goodwill and other intangible assets with indefinite useful lives arising from business combination subject to impairment test amounted to RMB407 million and RMB101 million, respectively, as at 31 December 2021. The Group is required to perform the impairment test for goodwill and other intangible assets with indefinite useful lives annually. The impairment test is based on the recoverable amount of the respective cash-generating units ("**CGUs**"). We focused on this area because management's impairment assessment process on goodwill and other intangible assets with indefinite useful lives was complex and involved significant judgements and estimates, including the degree of subjectivity of expected future cash flow forecasts, associated growth rates and the appropriateness of the discount rate applied. The Group's specific disclosures about goodwill and intangible assets are included in note 2.4 "Summary of significant accounting policies", note 3 "Significant accounting judgements and estimates", note 15 "Other intangible assets" and note 16 "Goodwill" to the financial statements.	Our audit procedures included, among others: – Involved our valuation specialists to assist us in evaluating the assumptions and methodologies, including the discount rate and growth rate used by the Group in the impairment test of goodwill and intangible assets with indefinite useful lives arising from business combination; – Assessed the competence, professional quality and objectivity of the valuation specialists; – Evaluated the forecasts used with respect to future revenues and operating results by comparing the forecasts with the historical performance of the respective CGUs and the business development plan; – Evaluated the appropriateness of related disclosures.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Business combination	
In August 2021, the Group completed the acquisition of a 63.64% equity interest of Ouhua Meike (Tianjin) Medical Technology Co., Ltd. and a 65.61% equity interest of Bioxis Pharmaceuticals, at a total cost of RMB224 million and recognised goodwill of approximately RMB22 million and other intangible assets of approximately RMB224 million. We focused on this area because the accounting for the acquisition relied on a significant amount of management estimation and judgments in respect of fair value assessments of assets acquired and liabilities assumed, and the review of these estimations required high level of professional judgment. The Group's specific disclosures about business combination are included in note 2.4 Summary of Significant Accounting Policies and note 36 Business Combination to the financial statements.	Our audit procedures included, among others: – We evaluated the competence, capabilities and objectivity of the external appraiser engaged by the Group to perform the valuation and involved our internal valuation specialists in review the valuation methodologies adopted, and the assumptions used in valuation of the long-term assets by reference to the historical experience, estimation of the Group and the market practices. – Furthermore, we also checked the adequacy and appropriateness of the related disclosures.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with the IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yin Guowei.

Ernst & Young
Certified Public Accountants
Hong Kong

28 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
REVENUE	5	1,750,116	1,324,427
Cost of sales		(490,370)	(334,004)
Gross profit		1,259,746	990,423
Other income and gains, net	5	198,429	180,737
Selling and distribution expenses		(612,341)	(555,727)
Administrative expenses		(286,093)	(216,759)
Impairment losses on financial assets		3,182	1,369
Research and development costs		(167,597)	(126,474)
Other expenses		(9,907)	(11,507)
Finance costs	7	(4,963)	(4,905)
Share of profits and losses of:			
A joint venture		2,100	–
An associate		93	(131)
PROFIT BEFORE TAX	6	382,649	257,026
Income tax expense	10	(35,366)	(30,686)
PROFIT FOR THE YEAR		347,283	226,340
OTHER COMPREHENSIVE INCOME			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(16,824)	(13,962)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods		(16,824)	(13,962)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value		124,199	(9,071)
Income tax effect		(10,309)	841
		113,890	(8,230)
Net other comprehensive income that will not be reclassified to profit/(loss) in subsequent periods		113,890	(8,230)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		97,066	(22,192)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		444,349	204,148
Profit attributable to:			
Owners of the parent		352,234	230,072
Non-controlling interests		(4,951)	(3,732)
		347,283	226,340
Total comprehensive income attributable to:			
Owners of the parent		452,424	210,969
Non-controlling interests		(8,075)	(6,821)
		444,349	204,148
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)			
– For profit for the year	12	2.00	1.30

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	1,197,037	978,017
Right-of-use assets	14	214,800	202,378
Other intangible assets	15	613,397	404,332
Goodwill	16	406,901	385,490
Investment in a joint venture	17	47,964	45,864
Investment in an associate	18	3,448	4,355
Equity investments designated at fair value through other comprehensive income	19	573,935	405,279
Deferred tax assets	29	49,356	26,186
Other non-current assets	20	130,932	36,845
Total non-current assets		3,237,770	2,488,746
CURRENT ASSETS			
Inventories	21	354,765	255,127
Trade and bills receivables	22	375,206	340,747
Prepayments, other receivables and other assets	23	74,837	55,374
Financial assets at fair value through profit or loss	24	6,376	15,145
Pledged deposits	25	614	50,963
Cash and bank balances	25	2,900,788	3,092,603
Total current assets		3,712,586	3,809,959
CURRENT LIABILITIES			
Trade payables	26	46,264	28,032
Other payables and accruals	27	397,329	296,942
Interest-bearing bank and other borrowings	28	42,421	87,708
Tax payable		1,258	21,079
Total current liabilities		487,272	433,761
NET CURRENT ASSETS		3,225,314	3,376,198
TOTAL ASSETS LESS CURRENT LIABILITIES		6,463,084	5,864,944

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	28	39,493	20,373
Other payables and accruals	27	8,110	4,500
Deferred tax liabilities	29	157,910	102,282
Deferred income	30	9,402	3,544
Provision	31	1,765	–
Other non-current liabilities	32	186,118	–
Total non-current liabilities		402,798	130,699
Net assets		6,060,286	5,734,245
EQUITY			
Equity attributable to ordinary equity holders of the parent			
Share capital	33	175,822	177,207
Treasury shares	33	–	(28,263)
Reserves	34	5,537,639	5,341,807
		5,713,461	5,490,751
Non-controlling interests		346,825	243,494
Total equity		6,060,286	5,734,245

Hou Yongtai
Director

Tang Minjie
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Attributable to ordinary equity holders of the parent										
	Share capital RMB'000	Treasury shares RMB'000	Share premium account* RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income* RMB'000	Statutory reserve funds* RMB'000	Exchange fluctuation reserve* RMB'000	Other reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021	177,207	(28,263)	3,259,803	35,606	88,923	590	(264)	1,957,149	5,490,751	243,494	5,734,245
Profit for the year	–	–	–	–	–	–	–	352,234	352,234	(4,951)	347,283
Other comprehensive income for the year:											
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	113,890	–	–	–	–	113,890	–	113,890
Exchange differences on translation of foreign operations	–	–	–	–	–	(13,700)	–	–	(13,700)	(3,124)	(16,824)
Total comprehensive income for the year	–	–	–	113,890	–	(13,700)	–	352,234	452,424	(8,075)	444,349
Repurchase of H shares	–	(44,908)	–	–	–	–	–	–	(44,908)	–	(44,908)
Retirement of H shares	(1,385)	73,171	(71,786)	–	–	–	–	–	–	–	–
Acquisition of a subsidiary (note 36)	–	–	–	–	–	–	–	–	–	264,570	264,570
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	(15,000)	(15,000)
Dividend declared	–	–	–	–	–	–	–	(87,911)	(87,911)	–	(87,911)
Capital injection of non-controlling shareholders	–	–	–	–	–	–	–	–	–	5,000	5,000
Acquisition of non-controlling interests	–	–	(20,836)	–	–	–	–	–	(20,836)	(33,106)	(53,942)
Share redemption option granted to non-controlling shareholders of a subsidiary	–	–	(76,059)	–	–	–	–	–	(76,059)	(110,058)	(186,117)
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income	–	–	–	(88,253)	–	–	–	88,253	–	–	–
At 31 December 2021	175,822	–	3,091,122	61,243	88,923	(13,110)	(264)	2,309,725	5,713,461	346,825	6,060,286

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Attributable to ordinary equity holders of the parent										
	Share capital RMB'000	Treasury shares RMB'000	Share premium account* RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income* RMB'000	Statutory reserve funds* RMB'000	Exchange fluctuation reserve* RMB'000	Other reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020	177,845	–	3,281,855	48,341	88,923	11,463	(264)	1,846,617	5,454,780	198,573	5,653,353
Profit for the year	–	–	–	–	–	–	–	230,072	230,072	(3,732)	226,340
Other comprehensive income for the year:											
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	(8,230)	–	–	–	–	(8,230)	–	(8,230)
Exchange differences on translation of foreign operations	–	–	–	–	–	(10,873)	–	–	(10,873)	(3,089)	(13,962)
Total comprehensive income for the year	–	–	–	(8,230)	–	(10,873)	–	230,072	210,969	(6,821)	204,148
Repurchase of H shares	–	(50,953)	–	–	–	–	–	–	(50,953)	–	(50,953)
Retirement of H shares	(638)	22,690	(22,052)	–	–	–	–	–	–	–	–
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	16,896	16,896
Cancellation of dividends announced to non-controlling shareholders	–	–	–	–	–	–	–	–	–	34,846	34,846
Dividend declared	–	–	–	–	–	–	–	(124,045)	(124,045)	–	(124,045)
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income	–	–	–	(4,505)	–	–	–	4,505	–	–	–
At 31 December 2020	177,207	(28,263)	3,259,803	35,606	88,923	590	(264)	1,957,149	5,490,751	243,494	5,734,245

* These reserve accounts comprise the consolidated reserves of approximately RMB5,537,639,000 (2020: RMB5,341,807,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		382,649	257,026
Adjustments for:			
Finance costs	7	4,963	4,905
Share of profits and losses of:			
A joint venture	17	(2,100)	–
An associate	18	(93)	131
Interest income	5	(96,318)	(108,459)
Interest income from financial assets at fair value through profit or loss		(548)	(868)
Fair value gains of financial assets at fair value through profit or loss		(24)	–
Dividend income from equity investments at fair value through other comprehensive income	5	(57,538)	(36,107)
Interest income form debt investments		(1,892)	–
Net loss/(gain)on disposal of items of property, plant and equipment	6	373	1,102
Covid 19 related rent concessions from lessors	14	–	(15)
Depreciation of property, plant and equipment	6	91,800	80,373
Depreciation of right of use assets/amortisation of prepaid land lease payments	6	24,819	17,643
Amortisation of other intangible assets	6	46,218	34,855
Impairment of trade and other receivables		(3,182)	(1,369)
Write down of inventories to net realisable value	6	(687)	3,970
Recognition of government grants related to assets	30	(3,742)	(1,955)
Unrealised losses from changes in foreign currency exchange		3,875	3,114
		388,573	254,346
Increase in inventories		(28,627)	(18,686)
(Increase)/decrease in trade and bills receivables		(41,923)	15,639
Decrease in prepayments, other receivables and other assets		7,248	2,982
Decrease/(increase) in pledged deposits		349	(963)
Increase in provision		(296)	–
Increase in trade payables		32,347	23,962
Increase in other payables and accruals		54,830	43,978
Cash generated from operations		412,501	321,258
Income tax paid		(70,215)	(59,185)
Net cash flows generated from operating activities		342,286	262,073

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		96,318	108,459
Interest income received from equity investments designated at fair value through profit or loss		547	870
Purchases of items of property, plant and equipment		(270,881)	(189,696)
Purchase of land use rights			
Purchase of other intangible assets		(1,216)	(6,164)
Proceeds from disposal of items of property, plant and equipment		213	524
Proceeds from disposal of equity investments designated at fair value through other comprehensive income		283,292	117,477
Proceeds from disposal of financial assets at fair value through profit or loss		318,165	18,525
Payment for acquisition of subsidiaries		(48,276)	(42,538)
Payment for an investment in a joint venture		–	(45,864)
Purchase of equity investments designated at fair value through other comprehensive income		(387,293)	(240,197)
Purchase of financial assets at fair value through profit or loss		(309,318)	(33,670)
Prepayment for an acquisition		(35,000)	–
Decrease in time deposits with original maturity of more than three months		147,821	513,286
Compensation derived from the relocation of aborted plant		–	38,353
Dividends received from equity investments designated at fair value through other comprehensive income		57,538	36,107
Receipt of government grants		–	41,451
Net cash flows (used in)/from investing activities		(148,090)	316,923
CASH FLOWS FROM FINANCING ACTIVITIES			
Listing fees for A Share Offering		–	(502)
Principal portion of lease payment		(23,962)	(17,022)
Dividends paid to non-controlling shareholders		(15,000)	(8,371)
New bank loans		38,010	113,989
Repayment of bank loans and other borrowings		(95,538)	(49,890)
Repurchase of H shares		(44,908)	(50,953)
Pledged deposits for bank borrowings		–	(50,000)
Collection of pledged deposits for bank borrowings		50,000	–
Acquisition of non-controlling interests		(53,942)	–
Capital injection from non-controlling interests		5,000	–
Interest paid		(3,000)	(3,270)
Dividends paid	11	(87,911)	(124,045)
Net cash flows used in financing activities		(231,251)	(190,064)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(37,055)	388,932
Cash and cash equivalents at beginning of year		1,327,887	944,506
Effect of foreign exchange rate changes, net		(6,939)	(5,551)
CASH AND CASH EQUIVALENTS AT END OF YEAR	25	1,283,893	1,327,887
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances and pledged deposits as stated in the statement of financial position	25	2,901,402	3,143,566
Time deposits with original maturity of more than three months when acquired	25	(1,616,895)	(1,764,716)
		1,284,507	1,378,850
Less: Pledged time deposits:			
Pledged for a bank loan		–	50,000
Guarantee deposits		614	963
Cash and cash equivalents as stated in the statement of cash flows		1,283,893	1,327,887

1. CORPORATE AND GROUP INFORMATION

The Company was established as a limited liability company on 24 January 2007 in the People's Republic of China, (the "PRC"), and the Company was transformed into a joint stock company with limited liability on 2 August 2010. The registered office of the Company is located at No. 5 Tongjing Road, Songjiang Industrial Zone, Shanghai, PRC. The Company issued 40,000,000 H shares and 45,300 H shares on 30 April 2015 and 28 May 2015, respectively. The H shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "HKSE") since 30 April 2015. The Company issued 17,800,000 A shares on 30 October 2019 ("A Share Offering"). The A shares of the Company have been listed on the Scitech Innovation Board of the Shanghai Stock Exchange (the "SSE") since 30 October 2019. Total number of issued shares of the Company after the A Share Offering was 177,845,300 shares (comprising 40,045,300 H Shares and 137,800,000 A Shares).

During the year ended 31 December 2020, the Company repurchased 638,700 H Shares as treasury shares which were cancelled on 3 July 2020. Another 584,500 H Shares were repurchased, and were cancelled on 19 March 2021.

During the year ended 31 December 2021, the Company repurchased 800,000 H Shares as treasury shares which were cancelled on 14 July 2021.

During the year ended 31 December 2021, the Group was principally engaged in the manufacture and sale of biologicals, medical hyaluronate and ophthalmology products, research and development of biological engineering, pharmaceutical and ophthalmology products and the provision of related services.

In the opinion of the directors of the Company (the "Directors"), the ultimate controlling shareholders of the Company are Mr. Jiang Wei and his spouse, Ms. You Jie (the "Controlling Shareholders").

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place and date of incorporation/ registration and place of business	Paid-up capital/ registered share capital	Percentage of equity interest attributable to the Company Direct %	Indirect %	Principal activities
上海其勝生物製劑有限公司 Shanghai Qisheng Biologicals Co., Ltd.* ("Shanghai Qisheng")	PRC/ Mainland China 27 May 1992	RMB160,000,000	100	–	Manufacture and sale of biological reagents, biologicals and biological materials

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows: (Continued)

Name	Place and date of incorporation/ registration and place of business	Paid-up capital/ registered share capital	Percentage of equity interest attributable to the Company Direct %	Indirect %	Principal activities
上海利康瑞生物工程有限公司 Shanghai Likangrui Bioengineering Co., Ltd.* ("Shanghai Likangrui")	PRC/ Mainland China 3 September 2001	RMB150,000,000	100	–	Research and development of biological engineering and pharmaceutical products and related technology transfer, consultation and services
Haohai Healthcare Holdings Co., Limited. ("Haohai Holdings")	Hong Kong 17 July 2015	HKD153,000,000	100	–	Investment and trading business
河南宇宙人工晶狀體研製有限公司 Henan Universe Intraocular Lens Research and Manufacture Co., Ltd.* ("Henan Universe")	PRC/ Mainland China 23 April 1991	RMB9,923,200	–	100	Manufacture and sale of intraocular lens and related products
深圳市新產業眼科新技術有限公司 Shenzhen New Industries Material of Ophthalmology Co., Ltd.* ("NIMO")	PRC/ Mainland China 27 April 2006	RMB11,000,000	–	60	Sale of ophthalmology products
Contamac Limited	U.K. 10 May 1991	GBP1,000	–	79	Manufacture and sale of contact lens and intraocular lens material, machines and accessories
歐華美科(天津)醫學科技有限公司 Ouhua Meike (Tianjin) Medical Technology Co., Ltd. ("JUVA MEDICAL")	PRC/ Mainland China 12 May 2014	RMB126,500,000	63.64	–	Sale of medical aesthetics, professional life cosmetology and, home cosmetology

* English translations of names for identification purposes only

* All of the Company's subsidiaries registered in the PRC are limited liability companies under PRC law.

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

During the year ended 31 December 2021, the Group acquired another 9% of equity shares of Contamac Holdings Limited ("Contamac Holdings"), the parent company of Contamac Limited, at a cash consideration of GBP5,974,000 (equivalent to approximately RMB53,942,000). The Group holds 79% of equity shares of Contamac Holdings and its subsidiaries ("Contamac Group") after the acquisition.

During the year ended 31 December 2021, the Group completed the acquisition of a 63.64% equity interest of JUVA MEDICAL. The Group's specific disclosures about business combination of JUVA MEDICAL are included in note 36 Business Combination to the financial statements.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

2.1 BASIS OF PRESENTATION

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board ("IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain equity investments and certain other payables and accruals, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

2.1 BASIS OF PRESENTATION (Continued)

Basis of consolidation (Continued)

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

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

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

    The Group had no interest-bearing bank and other borrowings denominated in foreign currencies based on the London Interbank Offered Rate ("LIBOR") as at 31 December 2021. The amendment did not have any impact on the financial position and performance of the Group.

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

    The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the year ended 31 December 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the covid-19 pandemic. There was no impact on the opening balance of equity as at 1 January 2021.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IFRS 17	*Insurance Contracts*[2,4]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to IAS 8	*Definition of Accounting Estimates*[2]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to IFRSs 2018-2020	*Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41*[1]

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

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

Amendments to IFRS 10 and IAS 28 (2011) address an inconsistency between the requirements in IFRS 10 and in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 (2011) was removed by the HKICPA in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now. The amendments are not expected to have any significant impact on the Group's financial statements.

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

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

Amendments to IAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in consolidated statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and joint ventures (Continued)

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value either recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, goodwill and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (Continued)

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) *the party is a person or a close member of that person's family and that person*

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) *the party is an entity where any of the following conditions applies:*

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties (Continued)

(b) the party is an entity where any of the following conditions applies: ***(Continued)***

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over the estimated useful life. The principal annual rates used for this purpose are as follows:

Items	Principal annual rate
Land and buildings	2.4%-5.0%
Plant and machinery	9.0%-33.3%
Motor vehicles	9.5%-47.5%
Office equipment and others	9.5%-33.3%
Leasehold improvements	10.0%-20.0%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings or plant under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill) (Continued)

Patents and non-patent technology

Purchased patents and non-patent technology are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 5 to 15 years.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Research and development costs which do not meet these criteria are expensed when incurred.

Software

Purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful lives of 36 to 120 months.

Customer relationship

Customer relationship is acquired in business combinations and stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 3 to 15 years.

Exclusive distribution right

Exclusive distribution right is acquired in business combinations and stated at cost less any impairment losses !and is amortised on the straight-line basis over its estimated useful life of 10 years.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill) (Continued)

Brand

Brand is acquired in a business combination. The brand consisted of one brand that was acquired from the business combination of the hydrophilic intraocular lenses and PMMA products business from Aaren Scientific Inc. ("Aaren Business"), a legal entity registered in the USA, with an indefinite useful life in 2016, one brand that was acquired from the business combination of Contamac Holdings Limited ("Contamac Holdings") and its subsidiaries ("Contamac Group") with an indefinite useful life in 2017 and one brand that was acquired from the package business combination of Ouhua Meike (Tianjin) Medical Technology Co., Ltd. ("JUVA MEDICAL") and Bioxis Pharmaceuticals ("JUVA MEDICAL Group") which is amortised on the straight-line basis over its estimated useful lives of 10 years in 2021. The useful life of the brand is estimated to be indefinite because based on the current market share of the brand, management believes there is no foreseeable limit to the period over which the brand is expected to generate net cash flows for the Group.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At inception or on reassessment of a contract that contains a lease component and non-lease components, the Group adopts the practical expedient not to separate non-lease components and to account for the lease component and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

*Group as a lessee **(Continued)***

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings	2 to 10 years
Leasehold land	20 to 50 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in interest-bearing bank and other borrowings.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessee (Continued)

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of motor vehicles that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

*Initial recognition and measurement **(Continued)***

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been an increase in credit risk when ageing of contractual payments increases.

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and which apply the simplified approach as detailed below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

*General approach **(Continued)***

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals and interest-bearing bank and other borrowings.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing bank and other borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

The Group provides for warranties in relation to the sale of certain industrial products and the provision of construction services for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

A government grant related to income is accounted for as follows: (a) if the grant is a compensation for related costs or expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and recognised in profit or loss or offset against relevant costs over the periods in which the related costs are recognised; (b) if the grant is a compensation for related costs or expenses or losses already incurred, it is recognised immediately in profit or loss or offset against relevant costs for the current period.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

*Revenue from contracts with customers **(Continued)***

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

- Sale of goods

  Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

- Equipment technical service

  Revenue from equipment technical service is recognised over time, using a output method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group. The output method recognises revenue on the basis of proportion of service completed to the estimated total revenue.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in note 11 to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Renminbi at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the weighted average exchange rates for the year. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Business model

The classification of financial assets at initial recognition depends on the business model of the Group's management of financial assets. In judging the business model, the Group considers corporate appraisal, methods of reporting the results of financial assets to key management members, risks affecting the results of financial assets and its management, as well as the methods of remunerating relevant business managers and so forth. In assessing whether the objective is to collect contractual cash flows, the Group needs to analyse and judge the reasons for disposing of the financial assets before maturity, time, frequency and value of the financial assets and so forth.

Contractual cash flow characteristics

The classification of financial assets at initial recognition depends on the contractual cash flow characteristics of the financial assets. When it is necessary to judge whether the contractual cash flow is only the payment of the principal and the interest based on the outstanding principal, including the assessment of the correction of the time value of money, it is necessary to judge whether there is a significant difference compared with the benchmark cash flow. For financial assets with advanced payment characteristics, it is necessary to judge whether the fair value of the advanced payment characteristics is minimal.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Useful lives of intangible assets

The Group's management determines the estimated useful lives and the related amortisation charge for the Group's intangible assets. This estimate is based on the historical experience of the actual useful lives of intangible assets of similar nature and functions. Management will increase the amortisation charge where useful lives are less than previously estimated lives, or will write off or write down technically obsolete or non-strategic assets. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in amortisable lives and, therefore, amortisation charge in the future periods.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type and customer type).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Groups' trade receivables is disclosed in note 44 to the financial statements.

Impairment of goodwill and other intangible assets with indefinite useful lives

The Group determines whether goodwill and other intangible assets with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill and other intangible assets with indefinite useful lives are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill and other intangible assets with indefinite useful lives subject to impairment test at 31 December 2021 were approximately RMB406,901,000 (2020: RMB385,490,000) and RMB100,652,000 (2020: RMB103,659,000), respectively. Further details are given in notes 16 and 15 respectively.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Fair value of unlisted equity investments

The unlisted equity investments have been valued based on the expected cash flows discounted at current rates applicable to items with similar terms and risk characteristics. This valuation requires the Company to make estimates about expected future cash flows and discount rates, and hence they are subject to uncertainty. The fair value of the unlisted equity investments at 31 December 2021 was RMB506,042,000 (2020: RMB264,061,000). Further details are included in note 19 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group's operating activities are related to a single operating segment, which is the manufacture and sale of biologicals, medical hyaluronate and intraocular lens, research and development of biological engineering and pharmaceutical products and the provision of related services. Therefore, management monitors the operating results of the Group's operating segment as a whole for the purpose of making decision about resources allocation and performance assessment.

Geographical information

(a) Revenue from external customers

	2021 RMB'000	2020 RMB'000
Mainland China	1,518,026	1,167,941
USA	88,709	62,525
U.K.	13,757	10,245
Other regions and countries	129,624	83,716
	1,750,116	1,324,427

The revenue information of continuing operations above is based on the locations of the customers.

4. OPERATING SEGMENT INFORMATION (Continued)

Geographical information (Continued)

(b) Non-current assets

	2021 RMB'000	2020 RMB'000
Mainland China	2,079,074	1,628,285
USA	81,608	87,292
U.K.	260,989	328,621
Other regions and countries	192,808	13,083
	2,614,479	2,057,281

The non-current asset information of continuing operations above is based on the locations of the assets and excludes equity investments designated at fair value through other comprehensive income and deferred tax assets.

Information about major customers

No revenue from a single customer contributed to 10% or more of the Group's revenue during the year.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2021 RMB'000	2020 RMB'000
Revenue from contracts with customers	1,750,116	1,324,427

5. REVENUE, OTHER INCOME AND GAINS (Continued)

	2021 RMB'000	2020 RMB'000
Revenue from contracts with customers		
(a) Disaggregated revenue information		
Types of goods sold		
Ophthalmology products	670,969	562,660
Orthopedic products	400,001	329,910
Medical aesthetics and wound care products	460,985	240,705
Antiadhesion and hemostasis products	191,928	171,436
Other products	26,233	19,716
Total	1,750,116	1,324,427
Timing of revenue recognition		
Goods transferred at a point in time	1,746,329	1,324,427
Services rendered over time	3,787	–
Total	1,750,116	1,324,427

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2021 RMB'000	2020 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of products	15,874	13,603

5. REVENUE, OTHER INCOME AND GAINS (Continued)

(b) Performance obligation

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

Sale of products

The performance obligation is satisfied upon delivery of products and payment is generally due within six months from delivery, except for distributors, where payment in advance is normally required.

Equipment technical service

The performance obligation is satisfied over time as services are rendered. Service contracts are billed based on the time incurred or monthly.

	2021 RMB'000	2020 RMB'000
Other income and gains		
Bank interest income	96,318	108,459
Government grants (note)	33,880	33,882
Dividend income from equity investments designated at fair value through other comprehensive income	57,538	36,107
Interest income from debt investment	1,892	–
Others	8,801	2,289
	198,429	180,737

Note:

Various government grants have been received from local government authorities in various regions in the PRC, for compensating research activities. The government grants released have been recorded in other income and gains, among which there were no unfulfilled conditions or contingencies relating to these recognised government grants.

6. PROFIT BEFORE TAX

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

	2021 RMB'000	2020 RMB'000
Cost of inventories sold	490,370	334,004
Depreciation of property, plant and equipment (note 13)	91,800	80,373
Depreciation of right of use assets	24,819	17,643
Amortisation of other intangible assets (note 15)	46,218	34,855
Auditor's remuneration	2,980	2,480
Research and development costs	167,597	126,474
Lease payments not included in the measurement of lease liabilities (note 14)	3,746	2,663
Employee benefit expense (excluding directors' remuneration as set out in note 8)		
Wages and salaries	386,222	284,736
Pension scheme contributions	28,153	9,780
Foreign exchange differences, net	3,875	3,114
Impairment losses on financial assets, net:		
Impairment of trade receivables, net	(2,302)	1,025
Impairment of financial assets included in prepayments, other receivables and other assets, net	(880)	(2,394)
Write down of inventories to net realisable value	(687)	3,970
Bank interest income	(96,318)	(108,459)
Interest income from debt investment	(1,892)	–
Net loss on disposal and obsolescence of items of property, plant and equipment	373	1,102

7. FINANCE COSTS

	2021 RMB'000	2020 RMB'000
Interest on bank loans and other loans	3,385	3,456
Interest on lease liabilities	1,578	1,449
	4,963	4,905

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2021 RMB'000	2020 RMB'000
Fees	672	630
Other emoluments:		
Salaries, allowances and benefits in kind	4,003	3,372
Performance related bonuses	1,921	1,941
Pension scheme contributions	341	24
	6,265	5,337
	6,937	5,967

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows*:

	2021 RMB'000	2020 RMB'000
Mr. Li Yingqi*	84	42
Mr. Yang Yushe*	84	42
Mr. Zhao Lei*	84	42
Mr. Su Zhi*	84	42
Mr. Jiang Zhihong*	84	42
Mr. Chen Huabin*	–	42
Mr. Shen Hongbo*	–	42
Mr. Zhu Qin*	–	42
Mr. Wong Kwan Kit*	–	42
	420	378

* The Company issued an announcement dated 14 May, 2020 regarding to the change of independent non-executive Directors.

The Board further announces that Mr. Chen Huabin, Mr. Shen Hongbo, Mr. Zhu Qin and Mr. Wong Kwan Kit no longer served as independent non-executive Directors of the Company as well as their respective related positions in the Board Committees since the date of the AGM on 29 June, 2020 due to the expiration of the sixyear term or the personal work commitments.

Mr. Chen Huabin, Mr. Shen Hongbo, Mr. Zhu Qin and Mr. Wong Kwan Kit have confirmed that they have no disagreement with the Board and there is no matter in respect of their resignations that needs to be brought to the attention of the shareholders and the Hong Kong Stock Exchange.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(a) Independent non-executive directors (Continued)

There were no other emoluments payable to the independent non-executive directors during the year (2020: Nil).

(b) Executive directors, non-executive directors, supervisors and the chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2021					
Executive directors:					
Dr. Hou Yongtai	–	785	494	57	1,336
Mr. Wu Jianying[1]	–	845	565	57	1,467
Mr. Tang Minjie	–	795	370	57	1,222
Ms. Chen Yiyi	–	665	370	57	1,092
Non-executive directors:					
Ms. You Jie	–	–	–	–	–
Mr. Huang Ming	84	–	–	–	84
Supervisors:					
Mr. Liu Yuanzhong	–	–	–	–	–
Mr. Tang Yuejun	–	561	122	57	740
Ms. Yang Qing	84	–	–	–	84
Mr. Wei Changzheng	84	–	–	–	84
Mr. Yang Linfeng	–	352	–	56	408
	252	4,003	1,921	341	6,517

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) Executive directors, non-executive directors, supervisors and the chief executive (Continued)

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2020					
Executive directors:					
Dr. Hou Yongtai	–	648	494	4	1,146
Mr. Wu Jianying[1]	–	768	494	4	1,266
Mr. Tang Minjie	–	648	396	4	1,048
Ms. Chen Yiyi	–	528	396	4	928
Non-executive directors:					
Ms. You Jie	–	–	–	–	–
Mr. Huang Ming	84	–	–	–	84
Supervisors:					
Mr. Liu Yuanzhong	–	–	–	–	–
Mr. Tang Yuejun	84	–	–	–	84
Ms. Yang Qing	84	–	–	–	84
Mr. Wei Changzheng	–	444	161	4	609
Mr. Yang Linfeng	–	336	–	4	340
	252	3,372	1,941	24	5,589

[1] Mr. Wu Jianying was the chief executive of the Group during the year.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2020: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four directors (2020: four directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining one (2020: One) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2021 RMB'000	2020 RMB'000
Salaries, allowances and benefits in kind	605	624
Performance related bonuses	273	161
Pension scheme contributions	57	4
	935	789

The number of five highest paid individuals whose remuneration fell within the following bands is as follows:

	2021	2020
Nil to HK$1,000,000	–	1
HK$1,000,001 to HK$1,500,000	3	3
HK$1,500,001 to HK$2,000,000	2	1
	5	5

10. INCOME TAX

The Company is registered in the PRC and is subject to PRC corporate income tax ("CIT") on the taxable income as reported in its PRC statutory accounts adjusted in accordance with relevant PRC income tax laws.

The Company, Shanghai Qisheng, Shanghai Jianhua Fine Biological Products Co., Ltd. ("Shanghai Jianhua"), Henan Universe and Qingdao Huayuan Fine Biological Product Co., Ltd. ("Qingdao Huayuan") were accredited as high and new-tech enterprises (the "HNTE Status") respectively, effective for the three years from 2020 to 2022 by the relevant authorities. Therefore, the preferential income tax rate of 15% was applied during the years from 2020 to 2022 for the Company, Shanghai Qisheng, Shanghai Jianhua, Henan Universe and Qingdao Huayuan.

Hangzhou Aijinglun Technology Co., Ltd., ("Hangzhou Aijinglun") was accredited with HNTE Status effective for the three years from 2019 to 2021 by the relevant authorities. Therefore, the preferential income tax rate of 15% was applied during 2021 for Hangzhou Aijinglun.

The applicable tax rate for the other subsidiaries registered in Mainland China was 25% during the year.

10. INCOME TAX (Continued)

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

The profits tax for subsidiaries in the USA has been provided at the rate of 21% on the estimated assessable profits arising in the USA during the year.

The profits tax for subsidiaries in the U.K. has been provided at the rate of 19% on the estimated assessable profits arising in the U.K. during the year.

The profits tax for subsidiaries in France has been provided at the rate of 28% on the estimated assessable profits arising in France during the year.

The profits tax for subsidiaries in Israel has been provided at the rate of 23% on the estimated assessable profits arising in Israel during the year.

	2021 RMB'000	2020 RMB'000
Current		
Charge for the year	50,719	46,267
Over provision in prior years	(326)	(155)
Deferred (note 29)	(15,027)	(15,426)
Total tax charge for the year	35,366	30,686

10. INCOME TAX (Continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

2021

	2021		2020	
	RMB'000	%	RMB'000	%
Profit/(Loss) before tax	382,649		257,026	
Tax at the statutory tax rate	92,470	24.1	63,496	24.7
Adjustments in respect of current tax of previous years	(326)	(0.1)	(155)	(0.1)
Profit and loss attributable to an associate	(18)	–	25	–
Additional deductible allowance for research and development expenses	(32,657)	(8.5)	(19,804)	(7.7)
Expenses not deductible for tax	3,733	1.0	2,675	1.0
Deductible temporary differences and tax losses not recognised	10,579	2.8	10,709	4.2
Income not subject to tax	(1,751)	(0.5)	(949)	(0.4)
Tax losses utilised from previous periods	(10,135)	(2.6)	(1,342)	(0.5)
Effect on opening deferred tax of increase in rates	(2,145)	(0.6)	–	–
Tax saving from preferential tax rate due to HNTE Status	(24,384)	(6.4)	(23,969)	(9.3)
Tax charge at the Group's effective rate	35,366	9.2	30,686	11.9

The effective tax rate of the Group was 9.2% during the year ended 31 December 2021 (2020: 11.9%).

11. DIVIDENDS

	2021	2020
	RMB'000	RMB'000
Proposed 2021 final dividend		
– RMB0.70 per ordinary share	123,075	–
Proposed 2020 final dividend		
– RMB0.50 per ordinary share	–	88,311
	123,075	88,311

11. DIVIDENDS (Continued)

On 28 March 2022, the Directors proposed to declare the final dividend of RMB0.70 (inclusive of tax) per ordinary share, amounting to RMB123,075,470 for the year ended 31 December 2021.

On 26 March 2021, the Directors proposed to declare the final dividend of RMB0.50 (inclusive of tax) per ordinary share, amounting to RMB88,311,050 for the year ended 31 December 2020.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 176,125,208 (2020: 177,232,008) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

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

	2021 RMB'000	2020 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	352,234	230,072

	Numbers of shares 2021	 2020
Shares		
Weighted average number of ordinary shares in issue used in the basic and diluted earnings per share calculations	176,125,208	177,232,008

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings* RMB'000	Plant and machinery RMB'000	Motor vehicles* RMB'000	Office equipment and others RMB'000	Construction in progress RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2021							
At 1 January 2021:							
Cost	273,191	437,219	14,210	65,896	441,012	88,478	1,320,006
Accumulated depreciation and impairment	(53,782)	(178,862)	(11,452)	(38,940)	–	(58,953)	(341,989)
Net carrying amount	219,409	258,357	2,758	26,956	441,012	29,525	978,017
At 1 January 2021, net of accumulated depreciation and impairment	219,409	258,357	2,758	26,956	441,012	29,525	978,017
Additions	–	11,847	8,787	2,936	237,284	8,940	269,794
Acquisition of a subsidiary (note 36)	13,935	12,447	424	2,024	14,464	1,799	45,093
Disposals	–	(403)	(158)	(25)	–	–	(586)
Depreciation provided during the year	(14,436)	(52,389)	(2,053)	(8,069)	–	(14,853)	(91,800)
Transfers	74,921	189,170	–	11,880	(323,195)	47,224	–
Exchange realignment	(2,090)	(1,207)	(6)	(127)	–	(51)	(3,481)
At 31 December 2021, net of accumulated depreciation and impairment	291,739	417,822	9,752	35,575	369,565	72,584	1,197,037
At 31 December 2021:							
Cost	359,382	646,336	22,973	81,548	369,565	139,825	1,619,629
Accumulated depreciation and impairment	(67,643)	(228,514)	(13,221)	(45,973)	–	(67,241)	(422,592)
Net carrying amount	291,739	417,822	9,752	35,575	369,565	72,584	1,197,037

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land and buildings* RMB'000	Plant and machinery RMB'000	Motor vehicles* RMB'000	Office equipment and others RMB'000	Construction in progress RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2020							
At 1 January 2020:							
Cost	262,894	420,809	12,053	59,130	356,508	75,958	1,187,352
Accumulated depreciation and impairment	(35,608)	(162,566)	(9,755)	(36,105)	–	(48,247)	(292,281)
Net carrying amount	227,286	258,243	2,298	23,025	356,508	27,711	895,071
At 1 January 2020, net of accumulated depreciation and impairment	227,286	258,243	2,298	23,025	356,508	27,711	895,071
Additions	11,977	18,585	1,092	9,511	123,344	2,695	167,204
Acquisition of a subsidiary (note 36)	–	1,854	–	77	–	128	2,059
Disposals	(3)	(1,975)	(259)	(351)	–	–	(2,588)
Depreciation provided during the year	(18,337)	(40,743)	(2,003)	(8,383)	–	(10,907)	(80,373)
Transfers	–	23,311	1,659	3,210	(38,840)	10,660	–
Exchange realignment	(1,514)	(918)	(29)	(133)	–	(762)	(3,356)
At 31 December 2020, net of accumulated depreciation and impairment	219,409	258,357	2,758	26,956	441,012	29,525	978,017
At 31 December 2020:							
Cost	273,191	437,219	14,210	65,896	441,012	88,478	1,320,006
Accumulated depreciation and impairment	(53,782)	(178,862)	(11,452)	(38,940)	–	(58,953)	(341,989)
Net carrying amount	219,409	258,357	2,758	26,956	441,012	29,525	978,017

* At 31 December 2021, no property, plant and equipment were pledged and at 31 December 2020, certain of the Group's motor vehicles with a net carrying amount of approximately RMB201,000 were pledged to secure bank borrowings, as further detailed in note 28 to the financial statements.

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of land and buildings used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 20 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 2 and 10 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There is no lease contract that includes extension and termination options and variable lease payments.

(a) Right-of-use assets

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

	Prepaid land lease payments RMB'000	Buildings RMB'000	Total RMB'000
As at 1 January 2020	183,385	33,329	216,714
Additions	–	9,823	9,823
Depreciation charge	(8,830)	(15,329)	(24,159)
As at 31 December 2020 and 1 January 2021	174,555	27,823	202,378
Additions	–	22,582	22,582
Acquisition of subsidiaries (note 36)	4,083	17,595	21,678
Exchange realignment	–	(504)	(504)
Depreciation charge	(8,891)	(22,443)	(31,334)
As at 31 December 2021	169,747	45,053	214,800

14. LEASES (Continued)

The Group as a lessee (Continued)

(b) Lease liabilities

The carrying amount of lease liabilities (included under interest-bearing bank and other borrowings) and the movements during the year are as follows:

	2021 RMB'000	2020 RMB'000
Carrying amount at 1 January	28,657	34,422
New leases	22,582	9,823
Accretion of interest recognised during the year	1,578	1,449
Acquisition of subsidiaries (note 36)	18,354	–
Exchange realignment	(494)	–
Covid-19-related rent concessions from lessors	–	(15)
Payments	(23,962)	(17,022)
Carrying amount at 31 December	46,715	28,657
Analysed into:		
Current portion	17,107	8,866
Non-current portion	29,608	19,791

The maturity analysis of lease liabilities is disclosed in note 44 to the financial statements.

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

	2021 RMB'000	2020 RMB'000
Interest on lease liabilities	1,578	1,449
Depreciation charge of right-of-use assets	31,334	24,159
Covid-19-related rent concessions from lessors	–	(15)
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2020 (included in administrative expenses)	3,746	5,141
Total amount recognised in profit or loss	36,658	30,734

15. OTHER INTANGIBLE ASSETS

	Patents RMB'000	Non-patent technology RMB'000	Software RMB'000	Customer relationship RMB'000	Brands* RMB'000	Exclusive distribution rights RMB'000	Total RMB'000
31 December 2021							
Cost at 1 January 2021, net of accumulated amortization	723	144,410	7,737	147,803	103,659	–	404,332
Additions	–	–	1,216	–	–	–	1,216
Amortisation provided during the year	(302)	(17,688)	(2,890)	(22,442)	(317)	(2,579)	(46,218)
Acquisition of subsidiaries (note 36)	106	157,816	475	57,560	9,500	37,430	262,887
Exchange realignment	(17)	(5,616)	(180)	–	(3,007)	–	(8,820)
At 31 December 2021	510	278,922	6,358	182,921	109,835	34,851	613,397
31 December 2021:							
Cost	12,507	337,648	13,664	277,961	110,152	37,430	789,362
Accumulated amortization	(11,997)	(58,726)	(7,306)	(95,040)	(317)	(2,579)	(175,965)
Net carrying amount	510	278,922	6,358	182,921	109,835	34,851	613,397

15. OTHER INTANGIBLE ASSETS (Continued)

	Patents RMB'000	Non-patent technology RMB'000	Software RMB'000	Customer relationship RMB'000	Brands* RMB'000	Total RMB'000
31 December 2020						
Cost at 1 January 2020, net of accumulated amortisation	578	149,280	4,401	168,327	108,023	430,609
Additions	853	–	5,311	–	–	6,164
Amortisation provided during the year	(698)	(11,783)	(1,850)	(20,524)	–	(34,855)
Acquisition of a subsidiary (note 36)	–	13,650	–	–	–	13,650
Exchange realignment	(10)	(6,737)	(125)	–	(4,364)	(11,236)
At 31 December 2020	723	144,410	7,737	147,803	103,659	404,332
31 December 2020:						
Cost	12,428	187,078	12,180	220,401	103,659	535,746
Accumulated amortisation	(11,705)	(42,668)	(4,443)	(72,598)	–	(131,414)
Net carrying amount	723	144,410	7,737	147,803	103,659	404,332

* The brands consisted of one brand of approximately RMB32,632,000 (2019: RMB35,706,000) that was acquired from the business combination of the hydrophilic intraocular lenses and PMMA products business from Aaren Scientific Inc. ("Aaren Business"), a legal entity registered in the USA, with an indefinite useful life in 2016, one brand of approximately RMB68,020,000 (2020: RMB70,264,000) that was acquired from the business combination of Contamac Group with an indefinite useful life in 2017 and the other brand of approximately RMB9,183,000 that was acquired from the business combination of JUVA MEDICAL Group.

During the year ended 31 December 2010, the Group determined that there was no impairment of intangible assets with indefinite useful lives using the income approach – relief-from-royalty method. The value in use was determined under this method, cash flow projections of which were based on financial budgets approved by senior management. The discount rate applied to the cash flow projections named Aaren Business was 12% (2020: 13%). The growth rate used to extrapolate the cash flows of Aaren Business beyond the five-year period was 2% (2020: 2%). The discount rate applied to the cash flow projections named Contamac Group was 12% (2020: 12%). The growth rate used to extrapolate the cash flows of Contamac Group beyond the five-year period was 2% (2020: 2%).

15. OTHER INTANGIBLE ASSETS (Continued)

Assumptions were used in the value-in-use calculation of cash-generating units for 31 December 2021. The following describes each key assumption on which the management has based its cash flow projections to undertake impairment testing of the other intangible assets:

- Discount rates – The discount rates used were before tax and reflect specific risks relating to the relevant units.
- Growth rates – The growth rates were based on industry growth forecasts.
- Changes in selling prices and direct costs – These were based on past practices and expectations of future changes in the market.

The values assigned to the key assumptions on discount rates, growth rates and changes in selling prices and direct costs were consistent with external information sources.

16. GOODWILL

	2021 RMB'000	2020 RMB'000
At the beginning of the year	385,490	333,493
Acquisition of a subsidiary (note 36)	22,415	53,349
Exchange realignment	(1,004)	(1,352)
At the end of the year	406,901	385,490

Impairment testing of goodwill

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

16. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

Goodwill acquired through business combinations was allocated to the following cash-generating units for impairment testing:

Cash-generating unit named NIMO Group[1];
Cash-generating unit named Aaren Business;
Cash-generating unit named Contamac Group;
Cash-generating unit named China Ocean Group[2];
Cash-generating unit named Hangzhou Aijinglun[3];
Cash-generating unit named JUVA MEDICAL[4]; and
Cash-generating unit named Bioxis[4]

1 Since 31 December 2020, the Group treated NIMO and Eyegood Medical (Zhuhai) Co. Ltd. ("Zhuhai Eyegood") as one cash-generating unit. Due to the business integration of the Group, NIMO absorbed and merged with Zhuhai Eyegood, and the Group considered that NIMO and Zhuhai Eyegood ("NIMO Group") had been managed as one cash-generating unit mainly based on three considerations: 1) unified synergy in the management of personnel appointment and dismissal, performance appraisal, R&D management and financial planning; 2) unified allocation of sales, procurement and production operations; 3) unified decision-making on the continued use or disposal of assets, and therefore, the Group treated NIMO Group as one cash-generating unit for goodwill impairment testing as at 31 December 2020 and 31 December 2021.

2 China Ocean Group Limited and its subsidiaries ("China Ocean Group"), including Qingdao Huayuan Fine Biological Product Co., Ltd., Shanghai Pacific Biological Technology Co., Ltd. and Shanghai Pacific Pharmaceutical Co., Ltd.

3 During the year ended 31 December 2020, the Group acquired a total of 55% of equity shares of Hangzhou Aijinglun.

4 During the year ended 31 December 2021, the Group acquired a total 63.64% of equity shares of JUVA MEDICAL and 65.61% equity shares of Bioxis.

Cash-generating unit named NIMO Group

The recoverable amount of the cash-generating unit named NIMO Group was determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections was 12% (2020: 15%). The growth rate used to extrapolate the cash flows beyond the five-year period was 2.3% (2020: 3%).

Cash-generating unit named Aaren Business

The recoverable amount of the cash-generating unit named Aaren Business was determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections was 12% (2020: 13%). The growth rate used to extrapolate the cash flows beyond the five-year period was 2% (2020: 2%).

16. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

Cash-generating unit named Contamac Group

The recoverable amount of the cash-generating unit named Contamac Group was determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections was 12% (2020: 12%). The growth rate used to extrapolate the cash flows beyond the five-year period was 2% (2020: 2%).

Cash-generating unit named China Ocean Group

The recoverable amount of the cash-generating unit named China Ocean Group was determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections was 14% (2020: 15%). The growth rate used to extrapolate the cash flows beyond the five-year period was 2.3% (2020: 3%).

Cash-generating unit named Hangzhou Aijinglun

The recoverable amount of the cash-generating unit named Hangzhou Aijinglun was determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections was 16% (2020: 16%). The growth rate used to extrapolate the cash flows beyond the five-year period was 2.3% (2020: 3%).

Cash-generating unit named JUVA MEDICAL

The recoverable amount of the cash-generating unit named JUVA MEDICAL was determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a seven-year period approved by senior management. The discount rate applied to the cash flow projections was 21%. The growth rate used to extrapolate the cash flows beyond the seven-year period was 4%.

Cash-generating unit named Bioxis

The recoverable amount of the cash-generating unit named Bioxis was determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a seven-year period approved by senior management. The discount rate applied to the cash flow projections was 18%. The growth rate used to extrapolate the cash flows beyond the seven-year period was 7%.

16. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

Cash-generating unit named Bioxis ***(Continued)***

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	2021 RMB'000	2020 RMB'000
NIMO Group	266,026	266,026
Aaren Business	8,764	8,968
Contamac Group	24,232	25,032
China Ocean Group	32,115	32,115
Hangzhou Aijinglun	53,349	53,349
Bioxis	19,730	–
JUVA MEDICAL	2,685	–
	406,901	385,490

Assumptions were used in the value-in-use calculation of cash-generating units for 31 December 2021. The following describes each key assumption on which the management has based its cash flow projections to undertake impairment testing of goodwill:

- Discount rates – The discount rates used were before tax and reflect specific risks relating to the relevant units.
- Growth rates – The growth rates were based on industry growth forecasts.
- Changes in selling prices and direct costs – These were based on past practices and expectations of future changes in the market.

The values assigned to the key assumptions on discount rates, growth rates and changes in selling prices and direct costs were consistent with external information sources.

17. INVESTMENT IN A JOINT VENTURE

	2021 RMB'000	2020 RMB'000
Share of net assets	47,964	45,864

As at 31 December 2021 and 2020, the Group invested a total of RMB45,864,000 in Changxing Tongrui Investment Partnership Enterprise (Limited Partnership) ("Changxing Tongrui") of which the Group has joint control with two third parties.

As at 31 December 2021 and 2020, there was no trade receivable and payable balance with the joint ventures.

The following table illustrates the financial information of the Group's joint venture that is not individually material, Changxing Tongrui:

	2021 RMB'000	2020 RMB'000
Share of the joint venture's profit for year	2,100	–
Share of the joint venture's total comprehensive income for the year	2,100	–
Aggregate carrying amount of the Group's investment in the joint venture	47,964	45,864

18. INVESTMENT IN AN ASSOCIATE

	2021 RMB'000	2020 RMB'000
Share of net assets	2,549	3,346
Loan to an associate	899	1,009
	3,448	4,355

The loan to the associate was unsecured, interest free with no fixed term of repayment. In the opinion of the directors, these loans are unlikely to be repaid in the foreseeable future and are considered as part of the Group's net investments in the associate. There was no recent history of default and past due amounts for loans to joint ventures. As at 31 December 2021 and 2020, the loss allowance was assessed to be minimal.

The Group's trade receivable with the associate are disclosed in note 22 to the financial statements. As at 31 December 2021 and 2020, there was no trade payable balance with the associate.

18. INVESTMENT IN AN ASSOCIATE (Continued)

The following table illustrates the financial information of the Group's associate that is not individually material, Lifeline Medical Devices Private Limited ("Lifeline"):

	2021 RMB'000	2020 RMB'000
Share of the associate's (loss)/profit for the year	93	(131)
Share of the associate's total comprehensive (loss)/income for the year	93	(131)
Aggregate carrying amount of the Group's investment in the associate	3,448	4,355

19. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 RMB'000	2020 RMB'000
Equity investments designated at fair value through other comprehensive income		
Listed equity investments, at fair value		
Union Medical Healthcare Limited	50,286	116,841
Raily Aesthetic Medicine International Holdings Ltd.	12,060	15,780
Aesthetic Medical International Holdings Group Limited	5,547	8,597
	67,893	141,218
Unlisted equity investments		
Shenwu No.1 Investment Product	290,329	189,662
Shanghai Semecell Technology Co., Ltd.	80,000	9,600
Recros Medica	51,006	52,199
ArcScan, Inc.	46,347	–
Jiangsu Meifengli Medical Technology Co., Ltd.	12,000	–
Shanghai Resthetic Biotechnology Co., Ltd.	10,000	5,000
Shanghai Lunsheng Information Technology Co., Ltd.	8,360	7,600
Jiangsu Meisikang Medical Technology Co., Ltd.	8,000	–
	506,042	264,061
	573,935	405,279

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

19. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Continued)

In December 2021, the Group disposed a portion of its investment in Shenwu No.1 Investment Product. The fair value on the date of sale was approximately RMB147,387,000 and the accumulated loss recognised in other comprehensive income of approximately RMB2,613,000 was transferred to retained earnings.

During the year ended 31 December 2021, the Group disposed of a portion of its investment in Union Medical Healthcare Limited. The fair value on the date of sale was approximately RMB135,905,000 and the accumulated gain recognised in other comprehensive income of approximately RMB90,866,000 was transferred to retained earnings.

During the year ended 31 December 2021, the Group received dividends in the amounts of RMB1,182,000 (2020: RMB5,286,000), RMB56,223,000 (2020: RMB30,821,000) and RMB133,000 from Union Medical Healthcare Limited, Shenwu No.1 Investment Product, respectively and Jiangsu Meifengli Medical Technology Co., Ltd..

20. OTHER NON-CURRENT ASSETS

	2021 RMB'000	2020 RMB'000
Prepayments for property, plant and equipment	6,831	35,845
Prepayments for potential acquisitions	97,437	1,000
Other non-current assets*	26,664	–
	130,932	36,845

* Long-term receivables from the companies controlled by the non-controlling interests of JUVA MEDICAL Group arising before acquisition. The controlling shareholder of the Group, Mr. Jiang Wei, is still proactively taking efforts to collect the receivables and promised to pay off the part which has not been collected back as of December 31, 2024.

21. INVENTORIES

	2021 RMB'000	2020 RMB'000
Raw materials	129,310	79,268
Work in progress	49,123	30,039
Finished goods	134,466	93,607
Merchandises	45,006	57,596
	357,905	260,510
Less: Provision for inventories	3,140	5,383
	354,765	255,127

None of the Group's inventories was pledged during the years ended 31 December 2021 and 2020.

22. TRADE AND BILLS RECEIVABLES

	2021 RMB'000	2020 RMB'000
Bills receivable	4,702	7,219
Trade receivables	397,237	366,937
Impairment	(26,733)	(33,409)
	375,206	340,747

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

22. TRADE AND BILLS RECEIVABLES (Continued)

Included in the Group's trade and bills receivables were amounts due from the Group's associate of approximately RMB2,179,000 (2020: RMB2,639,000), which were repayable on credit terms similar to those offered to the major customers of the Group. As at 31 December 2021 and 2020, there was not any trade receivable due from the Group's joint venture.

An ageing analysis of trade and bills receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2021 RMB'000	2020 RMB'000
Within 1 year	370,085	328,156
1 to 2 years	5,010	10,979
2 to 3 years	111	1,612
	375,206	340,747

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

	2021 RMB'000	2020 RMB'000
At 1 January	33,409	32,713
Impairment losses (reversed)/recognised	(2,302)	1,025
Amount written off as uncollectible	(3,699)	(242)
Exchange realignment	(675)	(87)
	26,733	33,409

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on ageing for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The information about the credit risk exposure on the Group's trade receivables using a provision matrix is disclosed in note 44 to the financial statements.

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2021 RMB'000	2020 RMB'000
Prepayments	55,656	43,721
Deposits and other receivables	14,490	7,846
Compensation receivable derived from the relocation of aborted plant	7,000	7,000
Impairment allowance	(2,309)	(3,193)
	74,837	55,374

The movements in provision for impairment allowance of deposits and other receivables are as follows:

	2021 RMB'000	2020 RMB'000
At 1 January	3,193	6,050
Impairment losses reversed	(880)	(2,394)
Amount written off as uncollectible	–	(450)
Exchange realignment	(4)	(13)
	2,309	3,193

Included in the above provision for impairment allowance of deposits and other receivables was no provision for individually fully impaired other receivables as at 31 December 2021 (2020: Nil).

Deposits and other receivables mainly represent rental deposits and deposits with suppliers. Expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied for as at 31 December 2021 and 2020 is disclosed in note 44 to the financial statements.

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2021 and 2020, the loss allowance was assessed to be minimal.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 RMB'000	2020 RMB'000
Other unlisted investments, at fair value	6,376	15,145

The above investments were classified as financial assets at fair value through profit or loss as they were held for trading.

The above unlisted investment as at 31 December 2021 was convertible bond issued by Recros Medica, Inc., a unlisted company in USA. (As at 31 December 2020 were wealth management products issued by banks in Mainland China.) They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

25. CASH AND BANK BALANCES AND PLEDGED DEPOSITS

	2021 RMB'000	2020 RMB'000
Cash and bank balances and pledged deposits	2,901,402	3,143,566
Time deposits with original maturity of more than three months when acquired	(1,616,895)	(1,764,716)
	1,284,507	1,378,850
Less: Pledged time deposit:		
Pledged for a bank loan	–	50,000
Guarantee deposits	614	963
Cash and cash equivalents	1,283,893	1,327,887

At the end of the reporting period, nearly 91% (2020: 96%) of the cash and bank balances of the Group were denominated in RMB. The RMB is not freely convertible into other currencies, however, under the Mainland China's prevailing rules and regulations over foreign exchange, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods between three months and one year, depending on the immediate cash requirements of the Group. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

26. TRADE PAYABLES

	2021 RMB'000	2020 RMB'000
Trade payables	46,264	28,032

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

	2021 RMB'000	2020 RMB'000
Within 3 months	38,726	27,465
3 months to 1 year	1,062	279
Over 1 year	6,476	288
	46,264	28,032

These trade payables were normally settled within 90 days, which represented credit terms similar to those offered by the joint venture to its major customers.

The trade payables were non-interest-bearing and were normally settled on terms of 30 to 90 days.

27. OTHER PAYABLES AND ACCRUALS

	Notes	2021 RMB'000	2020 RMB'000
Current:			
Payroll and welfare payable		78,698	56,366
Payables related to:			
Government grants received		60,907	64,819
Purchases of property, plant and equipment		22,447	34,583
Deposits received		28,923	28,796
Others		40,450	28,004
Accrued expenses		79,277	56,368
Contract liabilities – short-term advances received from customers	(a)	46,509	16,162
Other taxes payable		16,521	11,844
Loan from non-controlling interests of a subsidiary	(b)	23,597	–
		397,329	296,942
Non-current:			
Payables for acquisition of the subsidiaries and contingent consideration	(c)	8,110	4,500

The above balances were non-interest-bearing and repayable on demand.

Notes:

(a) Details of contract liabilities are as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Short-term advances received from customers		
Sale of goods	46,509	16,162

(b) Unsettled loan from non-controlling interests of JUVA MEDICAL Group, which is on demand and with the annual interest rate of 8%.

(c) RMB4,500,000 will be paid to the original shareholders of Hangzhou Aijinglun, provided that Hangzhou Aijinglun obtains the registration certificate from the relevant authorities for certain new products under development within five years from the date of acquisition.

EUR500,000 (equivalent to approximately RMB3,610,000) will be paid to the original shareholders of Bioxis provided that the EBITA of Bioxis for the financial year ending on 31 December 2022 is positive. Further details are given in note 36.

28. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2021			31 December 2020		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Lease liabilities (note 14(b))	4.24-5.80	2022	17,107	4.24-4.75	2021	8,866
Bank loans						
– secured (e)	–	–	–	3.05-5.19	2021	78,691
– pledged (a)	2.36-4.35	2022	25,184	–	–	–
Current portion of long term other loans						
– unsecured (b)	–	2022	130	–	2021	65
Current portion of long term bank loans						
– secured (d)	–	–	–	0.89	2021	86
			42,421			87,708
Non-current						
Lease liabilities (note 14(b))	4.24-5.80	2023-2028	29,608	4.24-4.75	2022-2028	19,791
Bank loans						
– secured (d)	–	–	–	0.89	2022	62
– guaranteed(c)	0.73	2023-2026	4,914	–	–	–
Other loans						
– unsecured (b)	–	2023	282	–	2022-2023	520
– guaranteed (c)	2.25	2023-2026	4,689	–	–	–
			39,493			20,373
			81,914			108,081

28. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

	2021 RMB'000	2020 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	25,184	78,777
In the second year	2,056	62
In the third to fifth years, inclusive	2,858	–
	30,098	78,839
Other borrowings repayable:		
Within one year or on demand	17,237	8,931
In the second year	11,692	6,719
In the third to fifth years, inclusive	17,094	6,358
Beyond five year	5,793	7,234
	51,816	29,242
	81,914	108,081

Notes:

(a) The pledged bank loans represent the loans in USD obtained by NIMO to settle accounts payables with interest rate of 2.36%-4.35%. NIMO entered into credit facilities with China Merchants Bank and Bank of China which permit the Company to borrow up to RMB65,000,000. According to the credit facilities, all the trade receivables of NIMO were pledged.

(b) The unsecured other loan represents an interest-free government loan obtained by ODC.

(c) The guaranteed bank and other loan represents the loans obtained by Bioxis guaranteed by the government.

(d) A bank loan of ODC Industries ("ODC") at the interest rate of 0.89% was secured by mortgages over a vehicle of ODC with a carrying value of approximately RMB201,000.

(e) As at 31 December 2020, the apartments of the non-controlling shareholders of NIMO were pledged for bank loans of RMB28,691,000, which were also guaranteed by these shareholders. In addition, bank loans of the Company of RMB50,000,000 were secured by Shanghai Qisheng's bank deposits of RMB50,000,000.

29. DEFERRED TAX

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

Deferred tax liabilities

2021

	Depreciation Allowance in excess of related depreciation RMB'000	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Withholding tax RMB'000	Fair value adjustment of equity investment at fair value through other comprehensive income RMB'000	Total RMB'000
At 1 January 2021	4,213	89,111	8,958	–	102,282
Deferred tax arising from acquisition of subsidiaries	–	62,627	–	–	62,627
Deferred tax charged/(credited) to profit or loss	2,120	(16,064)	–	–	(13,944)
Deferred tax charged to other comprehensive income	–	–	–	9,391	9,391
Exchange realignment	(191)	(2,040)	(215)	–	(2,446)
Gross deferred tax liabilities at 31 December 2021	6,142	133,634	8,743	9,391	157,910

2020

	Depreciation Allowance in excess of related depreciation RMB'000	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Withholding tax RMB'000	Total RMB'000
At 1 January 2020	4,251	97,258	9,441	110,950
Deferred tax arising from acquisition of subsidiaries	–	2,153	–	2,153
Deferred tax charged/(credited) to profit or loss	132	(8,412)	2	(8,278)
Exchange realignment	(170)	(1,888)	(485)	(2,543)
Gross deferred tax liabilities at 31 December 2020	4,213	89,111	8,958	102,282

29. DEFERRED TAX (Continued)

Deferred tax assets

2021

	Lease liabilities RMB'000	Fair value adjustment of equity investment at fair value through other comprehensive income RMB'000	Accruals RMB'000	Impairment of receivables and provision for inventories RMB'000	Deferred income RMB'000	Unrealised profit from intragroup transactions RMB'000	Deductible losses RMB'000	Total RMB'000
At 1 January 2021	171	918	7,245	7,154	532	6,869	3,297	26,186
Deferred tax arising from acquisition of subsidiaries	–	–	–	5,139	–	2,264	15,814	23,217
Deferred tax credited/(charged) to the statement of profit or loss	154	–	2,970	(1,991)	1,208	47	(1,305)	1,083
Deferred tax charged to other comprehensive income	–	(918)	–	–	–	–	–	(918)
Exchange differences	–	–	(1)	(14)	–	–	(197)	(212)
Gross deferred tax assets at 31 December 2021	325	–	10,214	10,288	1,740	9,180	17,609	49,356

2020

	Lease liabilities RMB'000	Fair value adjustment of equity investment at fair value through other comprehensive income RMB'000	Accruals RMB'000	Impairment of receivables RMB'000	Deferred income RMB'000	Unrealised profit from intragroup transactions RMB'000	Deductible losses RMB'000	Total RMB'000
At 1 January 2020	207	77	3,269	6,279	540	6,124	1,897	18,393
Deferred tax credited/(charged) to the statement of profit or loss	(36)	–	4,001	892	(8)	745	1,554	7,148
Deferred tax charged to other comprehensive income	–	841	–	–	–	–	–	841
Exchange differences	–	–	(25)	(17)	–	–	(154)	(196)
Gross deferred tax assets at 31 December 2020	171	918	7,245	7,154	532	6,869	3,297	26,186

29. DEFERRED TAX (Continued)

Deferred tax assets (Continued)

The Group has tax losses of approximately RMB127,497,000 (2020: RMB110,766,000) arising in Mainland China that will expire in one to ten years for offsetting against future taxable profits. The Group has tax losses arising in Hong Kong, UK and US of approximately RMB6,653,000 (2020: RMB17,979,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in the subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

At 31 December 2021, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiary, Contamac. In the opinion of the Directors, it is not probable that this subsidiary will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investment in Contamac in the U.K. for which deferred tax liabilities have not been recognised amounted to approximately RMB68,788,000 at 31 December 2021 (2020: RMB43,349,000).

30. DEFERRED INCOME

	2021 RMB'000	2020 RMB'000
Government grants		
At 1 January	3,544	3,599
Additions	9,600	1,900
Released during the year	(3,742)	(1,955)
At 31 December	9,402	3,544

31. PROVISION

	Warranties RMB'000	Litigation RMB'000	Total RMB'000
At 1 January	–	–	–
Acquisition of a subsidiary (note 36)	160	1,968	2,128
Addition	425	–	425
Exchange realignment	–	(67)	(67)
Amounts utilised during the year	–	(721)	(721)
At 31 December	585	1,180	1,765

The provision was recognized in respect of anticipated liability claims in respect of products sold by EndyMed in the period from one year to three years, based on the Group's past experience with respect to the repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

Provision of RMB584,000 was recognized for the ongoing litigation of Bioxis. The claim is subject to legal arbitration and is expected to be finalised in late 2022.

32. OTHER NON-CURRENT LIABILITIES

	2021 RMB'000	2020 RMB'000
Share redemption option granted to non-controlling shareholders of a subsidiary	186,118	–

The share redemption option granted to non-controlling shareholders of JUVA MEDICAL Group acquired by the Group during the year of 2021, amounting to RMB186,118,000, represent liabilities of the Group to acquire the non-controlling interests owned by the non-controlling shareholders as at 31 December 2021.

33. SHARE CAPITAL

	2021 RMB'000	2020 RMB'000
Issued and fully paid:		
175,822,100 (2020: 177,206,600) ordinary shares of RMB1.00 each	175,822	177,207

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

	Number of shares in issue	Share capital RMB'000
At 31 December 2019 and 1 January 2020	177,845,300	177,845
Cancellation of repurchased H Shares (note 1)	(638,700)	(638)
At 31 December 2020 and 1 January 2021	177,206,600	177,207
Cancellation of repurchased H Shares (note 2)	(1,384,500)	(1,385)
At 31 December 2021	175,822,100	175,822

Note 1:

During the year ended 31 December 2020, the Company repurchased 1,223,200 H Shares as treasury shares, which accounted for approximately 0.6878% of the Company's total share capital, at a total consideration of approximately HK$55,957,000 (equivalent to approximately RMB50,953,000). 638,700 H Shares were cancelled on 3 July 2020. The remaining 584,500 H Shares, at a total consideration of approximately HK$31,236,000 (equivalent to approximately RMB28,263,000) were accounted as treasury shares as at 31 December 2020 and were cancelled on 19 March 2021.

Note 2:

During the year ended 31 December 2021, the Company repurchased 800,000 H Shares as treasury shares, which accounted for approximately 0.4529% of the Company's total share capital, at a total consideration of approximately HK$53,702,000 (equivalent to approximately RMB44,908,000). On 19 March 2021 and 14 July 2021, 1,384,500 H Shares were cancelled (584,500 H Shares were purchased in 2020).

34. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the statement of changes in equity.

Pursuant to the relevant laws and regulations in Mainland China, a portion of the profits of the Company was transferred to statutory reserve funds which are restricted as to use.

The amount of the Company's reserves available for distribution as at 31 December 2021, calculated in accordance with PRC rules and regulation, was RMB857,070,000.

35. PARTLY-OWNED SUBSIDIARIES WITH NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2021	2020
Percentage of equity interest held by non-controlling interests:		
Hangzhou Aijinglun	45%	45%
NIMO	40%	40%
Henan Simedice Biotechnologies Co. Ltd. ("Henan Simedice")	40%	40%
Contamac Group	21%	30%
Hebei Xinshikang Contact Lens Co., Ltd. ("Hebei XSK")	40%	–
Shanghai Hengtai Vision Technology Co., Ltd. ("Hengtai Vision")	45%	–
JUVA MEDICAL Group	36%	–

	2021 RMB'000	2020 RMB'000
Accumulated balances of non-controlling interests:		
Hangzhou Aijinglun	10,918	13,919
NIMO	107,962	117,801
Henan Simedice	8,922	9,206
Contamac Group	74,701	102,568
Hebei XSK	27,137	–
Hengtai Vision	18,656	–
JUVA MEDICAL Group	98,645	–
	346,941	243,494

	2021 RMB'000	2020 RMB'000
Profit allocated to non-controlling interests:		
Hangzhou Aijinglun	(3,002)	(2,977)
NIMO	5,162	(868)
Henan Simedice	(5,284)	(3,705)
Contamac Group	8,161	3,818
Hebei XSK	470	–
Hengtai Vision	(1,799)	–
JUVA MEDICAL Group	(8,543)	–
	(4,835)	(3,732)

36. BUSINESS COMBINATION

(a) On 21 April 2021, the Group acquired a 55% interest in Hengtai Vision from third parties. The acquisition was made as part of the Group's strategy to expand its product portfolio of the ophthalmology product line. The purchase consideration for the acquisition was RMB25,000,000 paid on or near the acquisition date, among which, RMB15,000,000 was paid to the original shareholders of Hengtai Vision, and RMB10,000,000 was paid to Hengtai Vision as capital contribution.

The fair values of the identifiable assets and liabilities of Hengtai Vision as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition RMB'000
Property, plant and equipment	13	1,329
Other intangible assets	15	37,595
Inventories		1,402
Trade receivables		383
Prepayments, other receivables and other assets		795
Cash and bank balances		14,561
Trade payables		(908)
Other payables and accruals		(306)
Deferred tax liabilities	29	(9,396)
Total identifiable net assets at fair value		45,455
Non-controlling interests		(20,455)
		25,000
Goodwill on acquisition	16	–
		25,000
Satisfied by		
Cash		25,000

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to approximately RMB383,000 and RMB317,000 respectively. No impairment allowances were provided for trade receivables and other receivables as at the date of acquisition.

36. BUSINESS COMBINATION (Continued)

(a) (Continued)

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

	RMB'000
Cash consideration paid	25,000
Cash and bank balances acquired	(14,561)
Net outflow of cash and cash equivalents included in cash flows from investing activities	10,439

Since the acquisition, Hengtai Vision has contributed RMB15,683,000 to the Group's revenue and incurred net loss of approximately RMB1,948,000 to the consolidated profit or loss for the year ended 31 December 2021.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been RMB1,752,045,000 and RMB350,817,000, respectively.

(b) On 24 April 2021, the Group acquired a 60% interest in Hebei XSK from third parties. The acquisition was made as part of the Group's strategy to expand its product portfolio of the ophthalmology product line. The purchase consideration for the acquisition was RMB40,000,000, which was paid to Hebei XSK as capital contribution on or near the acquisition date.

The fair values of the identifiable assets and liabilities of Hebei XSK as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition RMB'000
Property, plant and equipment	13	21,433
Other intangible assets	15	106
Right-of-use assets	14	4,083
Inventories		4,629
Trade receivables		436
Prepayments, other receivables and other assets		1,931
Cash and bank balances		39,575
Trade payables		(74)
Other payables and accruals		(3,321)
Deferred tax liabilities	29	(2,131)
Total identifiable net assets at fair value		66,667
Non-controlling interests		(26,667)
		40,000
Goodwill on acquisition	16	–
		40,000
Satisfied by		
Cash		**40,000**

36. BUSINESS COMBINATION (Continued)

(b) (Continued)

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to approximately RMB436,000 and RMB313,000 respectively. No impairment allowances were provided for trade receivables and other receivables as at the date of acquisition.

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

	RMB'000
Cash consideration paid	40,000
Cash and bank balances acquired	(39,575)
Net outflow of cash and cash equivalents included in cash flows from investing activities	425

Since the acquisition, Hebei XSK has contributed RMB16,152,000 to the Group's revenue and contributed net profit of approximately RMB3,119,000 to the consolidated profit or loss for the year ended 31 December 2021.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been RMB1,750,116,000 and RMB347,072,000, respectively.

36. BUSINESS COMBINATION (Continued)

(c) On 31 August 2021, the Group acquired a 63.64% interest in JUVA MEDICAL and a 65.61% equity interest in Bioxis from third parties as a package deal. The purpose of the acquisition is to expand the Group's medical aesthetics business from "medical end" to "consumer end". The purchase consideration for the acquisition was RMB224,076,000, with RMB150,261,000 paid on or near the acquisition date (RMB135,000,000 was paid to the original shareholders of JUVA MEDICAL, EUR2,000,000 (equivalent to approximately RMB15,261,000) was paid to the original shareholders of Bioxis), another RMB70,000,000 has been paid to JUVA MEDICAL as capital injection near the end of 2021, and the remaining EUR500,000 (equivalent to approximately RMB3,815,000) to be paid by the Group, provided that the EBITDA of Bioxis for the financial year ending on 31 December 2022 is positive.

The fair values of the identifiable assets and liabilities of JUVA MEDICAL Group as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition RMB'000
Property, plant and equipment	13	22,331
Other intangible assets	15	225,186
Deferred tax assets	29	23,217
Other non-current assets		26,664
Right-of-use assets	14	17,595
Inventories		64,276
Trade receivables		29,355
Prepayments, other receivables and other assets		94,636
Cash and bank balances		112,849
Financial assets at fair value through profit or loss		54
Trade payables		(27,054)
Other payables and accruals		(85,110)
Bank loans and other borrowings		(31,661)
Provision		(2,128)
Deferred tax liabilities	29	(51,100)
Total identifiable net assets at fair value		419,110
Non-controlling interests		(217,449)
		201,661
Goodwill on acquisition	16	22,415
		224,076
Satisfied by		
Cash		150,261
Cash consideration payable		73,815
		224,076

36. BUSINESS COMBINATION (Continued)

(c) (Continued)

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to approximately RMB29,355,000 and RMB11,818,000 respectively. No impairment allowances were provided for trade receivables and other receivables as at the date of acquisition.

An analysis of the cash flows in respect of the acquisition of JUVA MEDICAL Group is as follows:

	RMB'000
Cash consideration paid	150,261
Cash and bank balances acquired	(112,849)
Net outflow of cash and cash equivalents included in cash flows from investing activities	37,412

Since the acquisition, JUVA MEDICAL Group has contributed RMB108,535,000 to the Group's revenue and contributed net profit of approximately RMB840,000 to the consolidated profit or loss for the year ended 31 December 2021.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been RMB1,951,631,000 and RMB375,663,000, respectively.

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financial activities

2021

	Bank and other loans RMB'000	Lease liabilities RMB'000
At 1 January 2021	79,424	28,657
Changes from financing cash flows	(56,676)	(23,962)
New leases	–	22,582
Covid-19-related rent concessions from lessors	–	–
Interest expense	–	1,578
Increase arising from acquisition of subsidiaries	13,307	18,354
Foreign exchange movement	(856)	(494)
At 31 December 2021	35,199	46,715

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(a) Changes in liabilities arising from financial activities (Continued)

2020

	Bank and other loans RMB'000	Lease liabilities RMB'000
At 1 January 2020	15,150	34,422
Changes from financing cash flows	64,286	(17,022)
New leases	–	9,823
Covid-19-related rent concessions from lessors	–	(15)
Interest expense	–	1,449
Foreign exchange movement	(12)	–
At 31 December 2020	79,424	28,657

(b) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2021 RMB'000	2020 RMB'000
Within operating activities	4,358	5,141
Within financing activities	23,962	17,022
	28,320	22,163

38. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's interest-bearing bank borrowings are included in note 28 to the consolidated financial statements.

39. COMMITMENTS

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

	2021 RMB'000	2020 RMB'000
Contracted, but not provided for:		
Plant and machinery	470,565	530,919

In 2021, the Group made an investment commitment of RMB35,000,000 due to the signing of the agreement for the acquisition of Xiamen Nanpeng Optical Co., Ltd.

On 3 March, 2021, the Group entered into a preferred stock and note purchase agreement with Eirion Therapeutics, Inc. ("Eirion"), a US-incorporated company, under which the Group agreed to pay USD9,500,000 in total to subscribe unsecured promissory notes issued by Eirion, and then acquire Eirion's newly issued Series A Preferred Shares for a maximum of USD31,000,000 with Eirion's pre-investment valuation of USD190,000,000, provided that Eirion meets the various agreed transaction milestones. As of this reporting date, the agreed materials for the closing milestone are being submitted to the Company in succession by Eirion and the Company has started to submit foreign investment applications and materials to relevant government departments. Therefore, the agreed equity payment corresponding to the Series A Preferred Shares was expected to be completed in 2022.

40. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	Notes	2021 RMB'000	2020 RMB'000
Purchases			
Haohai Technology (Changxing) Co., Ltd.	(i)	6,124	2,221
Sales			
Lifeline	(ii)	2,025	670

Notes:

(i) During the year, the Group purchased the production accessories of approximately RMB6,124,000 (2020: approximately RMB2,221,000) from Haohai Technology (Changxing) Co., Ltd., a company controlled by the Controlling Shareholders. The Directors consider that the purchases of raw materials were made according to the published prices and conditions similar to those offered to the major customers of the supplier, except that interest was not charged on overdue balances.

(ii) During the year, the Group sold semi buttons of GBP231,000 (approximately RMB2,025,000) (2020: approximately RMB670,000) to the associate, Lifeline.

40. RELATED PARTY TRANSACTIONS (Continued)

(b) Other transactions with related parties:

During the year, the Company rented the rooms in Shanghai with a total building area of 329.77 square metres at an annual rental fee of RMB350,000 (2020: RMB350,000) and the other rooms in Shanghai, China with the same total building area at an annual rental fee of RMB350,000 (2020: RMB350,000) with a lease period from 1 January 2018 to 31 December 2020 from Shanghai Haohai Chemical Company Limited and Ms. You Jie, respectively.

In January 2020, the Company made capital injection of RMB7,600,000 to Shanghai Lunsheng to acquire 19% equity interest of Shanghai Lunsheng. Shanghai Haoyang Enterprise Management Co., Ltd. ("Shanghai Haoyang"), a company controlled by the Controlling Shareholders, also made capital injection of RMB2,400,000 to Shanghai Lunsheng. Before the transaction, Shanghai Haoyang held 30.77% equity interest in Shanghai Lunsheng. The transaction constituted a connected transaction under Chapter 14A of the Hong Kong Listing Rules.

(c) Compensation of key management personnel of the Group:

	2021 RMB'000	2020 RMB'000
Short term employee benefits	8,790	7,849
Pension scheme contributions	509	39
Total compensation paid to key management personnel	9,299	7,888

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

The related party transactions in respect of purchase from Haohai Technology (Changxing) Co., Ltd. above also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

41. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2021

Financial assets

	Financial assets at amortised cost RMB'000	Financial assets at fair value through profit or loss – Mandatorily designated as such RMB'000	Financial assets at fair value through profit or loss – Debt investments RMB'000	Financial assets at fair value through other comprehensive income – Equity investments RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	–	–	–	573,935	573,935
Trade and bills receivables	370,504	–	4,702	–	375,206
Financial assets at fair value through profit or loss	–	6,376	–	–	6,376
Financial assets included in prepayments, other receivables and other assets	19,181	–	–	–	19,181
Pledged deposits	614	–	–	–	614
Cash and bank balances	2,900,788	–	–	–	2,900,788
	3,291,087	6,376	4,702	573,935	3,876,100

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Financial liabilities at fair value RMB'000	Total RMB'000
Trade payables	46,264	–	46,264
Financial liabilities included in other payables and accruals	106,753	8,110	114,863
Other non-current liabilities	–	186,118	186,118
Interest-bearing bank and other borrowings	81,914	–	81,914
	234,931	194,228	429,159

41. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2020

Financial assets

	Financial assets at amortised cost RMB'000	Financial assets at fair value through profit or loss – Mandatorily designated as such RMB'000	Financial assets at fair value through profit or loss – Debt investments RMB'000	Financial assets at fair value through other comprehensive income – Equity investments RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	–	–	–	405,279	405,279
Trade and bills receivables	333,528	–	7,219	–	340,747
Financial assets at fair value through profit or loss	–	15,145	–	–	15,145
Financial assets included in prepayments, other receivables and other assets	11,653	–	–	–	11,653
Pledged deposits	50,963	–	–	–	50,963
Cash and bank balances	3,092,603	–	–	–	3,092,603
	3,488,747	15,145	7,219	405,279	3,916,390

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Financial liabilities at fair value RMB'000	Total RMB'000
Trade payables	28,032	–	28,032
Financial liabilities included in other payables and accruals	91,383	4,500	95,883
Interest-bearing bank and other borrowings	108,081	–	108,081
	227,496	4,500	231,996

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances, trade and bills receivables, financial assets included in prepayments, other receivables and other assets, trade and bills payables and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The corporate finance team headed by the chief financial officer (the "CFO") is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of the reporting period, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the CFO.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximately to fair values, are as follows:

	Carrying amounts		Fair values	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Financial liabilities:				
Interest-bearing bank and other borrowings (other than lease liabilities)	9,885	582	9,932	571
Interest-bearing bank and other Financial liabilities included in other payables and accruals-contingent consideration	8,110	4,500	8,110	4,500

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Liabilities for which fair values are disclosed:

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings (other than lease liabilities)	–	9,932	–	9,932

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings (other than lease liabilities)	–	571	–	571

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Assets measured at fair value:

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	–	–	6,375	6,375
Trade and bills receivables	–	4,702	–	4,702
Equity investments designated at fair value through other comprehensive income	67,893	290,329	215,713	573,935
	67,893	295,031	222,088	585,012

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	–	15,145	–	15,145
Trade and bills receivables	–	7,219	–	7,219
Equity investments designated at fair value through other comprehensive income	141,218	189,662	74,399	405,279
	141,218	212,026	74,399	427,643

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Liabilities measured at fair value:

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Other non-current liabilities	–	–	186,118	186,118
Financial liabilities included in other payables and accruals-contingent consideration	–	–	8,110	8,110
	–	–	194,228	194,228

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial liabilities included in other payables and accruals-contingent consideration	–	4,500	–	4,500

For Level 3 financial assets, the Group adopts the valuation techniques to determine the fair value. Valuation techniques include the market comparison approach etc. The fair value measurement of these financial instruments may involve unobservable inputs such as price to research and development costs ratio, liquidity discount, etc. Fair value change resulting from changes in the unobservable inputs was not significant. The Group periodically reviews all significant unobservable inputs and valuation adjustments used to measure the fair values of financial assets in Level 3.

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Unobservable inputs and sensitivity analysis for Level 3 assets

The financial assets measured at fair value held by the Group which were classified in Level 3 primarily correspond to certain unlisted equity securities not quoted in an active market.

For certain unlisted equity securities, the Group adopts the valuation techniques to determine the fair value. Valuation techniques include the market comparison approach, etc., which requires the Group to determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate price multiple, such as price to research and development costs ratio, for each comparable company identified. An increase (decrease) in price to research and development costs ratio would result in a higher (lower) fair value. An increase (decrease) in liquidity discount would result in a lower (higher) fair value.

The share redemption option granted to non-controlling shareholders of subsidiaries included in other non-current liabilities of RMB186,118,000 (31 December 2020: Nil) was determined using the discounted cash flow model and is under Level 3 fair value measurement. Significant unobservable valuation input for the other non-current liabilities is profit attributable to owners of the parent of JUVA MEDICAL Group in 2023, the price to profit attributable to owners of the parent ratio and the discounted rate. An increase (decrease) in profit attributable to owners of the parent of JUVA MEDICAL Group in 2023 and the price to profit attributable to owners of the parent ratio would result in a higher (lower) fair value. An increase (decrease) in the discounted rate would result in a lower (higher) fair value.

The Group periodically reviews all significant unobservable inputs and valuation adjustments used to measure the fair values of financial instruments in Level 3.

43. TRANSFERS OF FINANCIAL ASSETS

Transferred financial assets that are derecognised in their entirety

At 31 December 2020, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB9,123,000 (2019: RMB8,984,000). The Derecognised Bills had a maturity of one to seven months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the Directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the year ended 31 December 2021, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The Group's foreign currency risk is not significant. Approximately 88% (2020: 84%) of the Group's sales were denominated in local currencies, which were the same as the units' functional currencies, while approximately 88% (2020: 82%) of the Group's costs were denominated in local currencies, which were the same as the units' functional currencies. The Group would reserve some foreign currencies to meet the requirement of payments, which resulted in an insignificant foreign currency risk for the Group. The Group's interest rate risk is not significant, which is due to the fact that the non-current portion of interest-bearing bank and other borrowings is subject to a fixed interest rate. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and bank balances and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

At the end of the reporting period, the Group had certain concentrations of credit risk as 4.33% (2020: 7.27%) and 14.26% (2020: 23.6%) of the Group's trade receivables were due from the Group's largest customer and five largest customers, respectively.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Maximum exposure and year-end staging as at 31 December 2021

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on ageing information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2021 and 31 December 2020. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2021

	12-months ECLs	Lifetime ECLs	
		Simplified	
	Stage 1	approach	Total
	RMB'000	RMB'000	RMB'000
Trade receivables	–	370,504	370,504
Financial assets included in prepayments, other receivables and other assets	12,181	–	12,181
	12,181	370,504	382,685

As at 31 December 2020

	12-months ECLs	Lifetime ECLs	
		Simplified	
	Stage 1	approach	Total
	RMB'000	RMB'000	RMB'000
Trade receivables	–	333,528	333,528
Financial assets included in prepayments, other receivables and other assets	4,653	–	4,653
	4,653	333,528	338,181

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Maximum exposure and year-end staging as at 31 December 2021 (Continued)

For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix at 31 December 2020 is set out below:

As at 31 December 2021

	Ageing			
	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years
Expected credit loss rate	4%	43%	95%	100%
Gross carrying amount (RMB'000)	380,268	8,730	2,406	5,833
Expected credit losses (RMB'000)	14,884	3,720	2,296	5,833

As at 31 December 2020

	Ageing			
	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years
Expected credit loss rate	5%	35%	67%	100%
Gross carrying amount (RMB'000)	335,888	16,949	7,579	6,521
Expected credit losses (RMB'000)	15,846	5,970	5,072	6,521

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Maximum exposure and year-end staging as at 31 December 2021 (Continued)

For the financial assets included in prepayments, other receivables and other assets to which the Group applies the general approach for impairment, information based on the provision matrix is set out below:

As at 31 December 2021

	Ageing			
	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years
Expected credit loss rate	1%	20%	50%	100%
Gross carrying amount (RMB'000)	10,755	1,685	294	1,756
Loss allowance provision (RMB'000)	69	337	147	1,756

As at 31 December 2020

	Ageing			
	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years
Expected credit loss rate	3%	20%	50%	100%
Gross carrying amount (RMB'000)	3,794	693	838	2,521
Loss allowance provision (RMB'000)	114	139	419	2,521

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

31 December 2021

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade and bills payables	36,703	9,561	–	–	–	46,264
Financial liabilities included in other payables and accruals	106,753	–	–	8,110	–	114,863
Lease liabilities	–	24,740	3,409	11,008	–	39,157
Other non-current liability	–	–	–	272,700	–	272,700
Interest-bearing bank and other borrowings (other than lease liabilities)	–	4,576	12,531	25,558	6,681	49,346
	143,456	38,877	15,940	317,376	6,681	522,330

31 December 2020

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade and bills payables	22,983	5,049	–	–	–	28,032
Financial liabilities included in other payables and accruals	91,383	–	–	4,500	–	95,883
Lease liabilities	–	2,468	6,398	13,827	8,457	31,150
Interest-bearing bank and other borrowings (other than lease liabilities)	–	15,611	67,913	584	–	84,108
	114,366	23,128	74,311	18,911	8,457	239,173

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 31 December 2020.

The Group monitors capital using a debt to assets ratio, which is debt divided by the total assets. Debt includes total current liabilities and total non-current liabilities.

During the year, the Group's strategy was to maintain the debt to assets ratio at a healthy level in order to support its businesses. The principal strategies adopted by the Group include, without limitation, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable debt to assets ratio to support its business. The debt to assets ratios at the end of the reporting periods are as follows:

	2021 RMB'000	2020 RMB'000
Total current liabilities	487,272	433,761
Total non-current liabilities	402,798	130,699
Debt	890,070	564,460
Total assets	6,950,356	6,298,705
Debt to assets ratio	12.8%	9.0%

45. EVENTS AFTER THE REPORTING PERIOD

Ongoing litigation

In February 2022, Eyebright Medical Technology (Beijing) Co., Ltd. ("Eyebright Medical") filed a lawsuit against Shanghai Hengtai Vision Technology Co., Ltd. ("Hengtai Vision"), a subsidiary of Shanghai Haohai Biological Technology Co., Ltd., in relation to a patent dispute. The myOK orthokeratology lens products involved in the lawsuit are products independently designed and developed by Hengtai Optics Co., Ltd. ("Hengtai Optics") and has independent intellectual property rights. As the general distributor of the products in mainland China, Hengtai Vision has strictly complied with various laws and regulations, including the intellectual property law, during its various businesses and has not yet discovered any infringement facts of the products. The three cases involve a total amount of RMB21 million, and the cases are still at an early stage and have not been formally heard. Therefore, it is not yet possible to make a prediction on the outcome of the cases, nor to accurately estimate whether losses will be incurred and the possible amount of losses or compensation. Hengtai Vision has hired patent attorneys to actively respond and resolutely defend its legal rights and interests.

2021 Restricted A Share Incentive Scheme

On 29 December 2021, the Company held the 31st meeting of the forth session of the Board and the 19th meeting of the forth session of the Board of Supervisors, which approved and announced the resolution on the 2021 restricted A share incentive scheme (draft) of the Company (the "Incentive Plan"). On 7 March 2022, the Company held the 2022 First Extraordinary General Meeting, the 2022 First A Shareholder' Class Meeting and the 2022 First H Shareholders' Class Meeting, which approved the Incentive Plan and authorized the Board to determine the grant date of the Incentive Plan, to grant restricted shares to the incentive recipients when they are qualified and to handle all matters necessary for the grant of restricted shares.

On 11 March 2022, the Company held the 33nd meeting of the forth session of the Board and the 20th meeting of the forth session of the Board of Supervisors, which considered and approved the resolutions, including the resolution on the adjustments to the related matters under the First Grant of the 2021 Restricted A Share Incentive Scheme and the resolution on the grant of Restricted Shares to Participants under the First Grant at the meetings held by the Board and the Board of Supervisors, respectively. According to the adjusted Incentive Plan, the Board agreed to grant 1,440,000 restricted shares to 204 incentive recipients for the first time with 11 March 2022 as the first grant date at a grant price of RMB95.00 per share.

45. EVENTS AFTER THE REPORTING PERIOD (Continued)

Business Combination of Xiamen Nanpeng Optical Company Limited ("the Target Company")

On 1 December 2021, Haohai Development, a wholly owned subsidiary of the Company, Xiamen Nanpeng Group Co. Ltd and Ms. Li Zhiyi (together "the Vendors") and Nanpeng Group Company Limited ("the Existing Distributorship Holder") entered into the Equity Transfer Agreement, pursuant to which (i) Haohai Development agreed to acquire, and the Vendors agreed to dispose of, in aggregate, 51% equity interest in the Target Company; and (ii) the Existing Distributorship Holder agreed to surrender and assign its rights of exclusive distributorship of the rigid gas permeable contact lenses and Ortho-K Lens Products supplied by Hengtai Optics Co., Limited ("Hengtai Optics") in the PRC for a period up to 25 January 2026 to Xiamen Nanpeng Hengtai Technology Development Co. Ltd. ("Nanpeng Hengtai", the wholly-owned subsidiary of the Target Company) by procuring the entering into of the New Distributorship Agreement between Hengtai Optics and Nanpeng Hengtai, at a total consideration of RMB70,000,000. As of the date of this report, the Group has paid the total consideration and completed the acquisition of the Target Company.

Repurchase of H shares

In January 2022, the Company repurchased a total of 1,692,100 H Shares, at a total consideration of approximately HK$90,153,000 (including transaction fee). As of the date of this report, the above repurchased H shares were in the process of being cancelled.

Except for the transactions detailed elsewhere in these financial statements and the events set out in this note above, there was no material subsequent event undertaken by the Group after 31 December 2021.

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	491,094	366,975
Right-of-use assets	129,772	137,089
Other intangible assets	649	1,082
Investments in subsidiaries	1,580,138	1,141,442
Investment in a joint venture	47,964	45,864
Equity investments designated at fair value through other comprehensive income	209,450	110,924
Deferred tax assets	5,641	4,692
Other non-current assets	1,333	4,320
Total non-current assets	2,466,041	1,812,388
CURRENT ASSETS		
Due from subsidiaries	596,802	1,644,369
Inventories	51,827	34,929
Trade and bills receivables	66,445	70,677
Prepayments, other receivables and other assets	19,106	15,412
Dividends receivable	50,000	50,000
Pledged bank deposits	216	216
Cash and bank balances	1,787,778	1,513,766
Total current assets	2,572,174	3,329,369
CURRENT LIABILITIES		
Due to subsidiaries	519,038	696,441
Trade payables	4,321	6,183
Other payables and accruals	145,518	148,624
Interest-bearing bank and other borrowings	4,089	51,185
Tax payable	–	4,724
Total current liabilities	672,966	907,157
NET CURRENT ASSETS	1,899,208	2,422,212
TOTAL ASSETS LESS CURRENT LIABILITIES	4,365,249	4,234,600
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	647	4,249
Deferred tax liabilities	9,151	–
Deferred income	4,700	1,094
Total non-current liabilities	14,498	5,343
NET ASSETS	4,350,751	4,229,257
EQUITY		
Share capital	175,822	177,207
Treasury shares	–	(28,263)
Reserves (note)	4,174,929	4,080,313
TOTAL EQUITY	4,350,751	4,229,257

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium account RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Statutory reserve funds RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2020	3,270,918	(435)	88,923	750,634	4,110,040
Profit for the year	–	–	–	124,859	124,859
Other comprehensive income for the year:					
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	–	(8,489)	–	–	(8,489)
Total comprehensive income for the year	–	(8,489)	–	124,859	116,370
Retirement of H Shares	(22,052)	–	–	–	(22,052)
Dividends declared	–	–	–	(124,045)	(124,045)
Others	–	3,723	–	(3,723)	–
As at 31 December 2020 and 1 January 2021	3,248,866	(5,201)	88,923	747,725	4,080,313
Profit for the year					
Other comprehensive income for the year:					
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	3,248,866	(5,201)	88,923	747,725	4,080,313
Total comprehensive income for the year	–	57,057	–	197,256	254,313
Retirement of H Shares	(71,786)	–	–	–	(71,786)
Dividends declared	–	–	–	(87,911)	(87,911)
As at 31 December 2021	3,177,080	51,856	88,923	857,070	4,174,929

47. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2022.

DEFINITIONS

In this annual report, unless the context otherwise requires, the following expressions have the following meanings.

"A Share(s)"	ordinary shares in the share capital of the Company with a par value of RMB1.00 each and listed on the Sci-Tech Innovation Board of the SSE and traded in RMB, including among others, ordinary shares issued under the A Share Offering
"A Share Offering"	the Company's initial public offering of 17.8 million A Shares and listing on the Sci-Tech Innovation Board of Shanghai Stock Exchange
"A Shareholder(s)"	holder(s) of A Shares
"Articles of Association"	the Articles of Association of the Company, as amended, revised or supplemented from time to time
"Board"	the board of Directors of the Company
"Company" or "Haohai Biological"	Shanghai Haohai Biological Technology Co., Ltd.* (上海昊海生物科技股份有限公司), a joint stock company incorporated in the PRC with limited liability and its H Shares and A shares are listed on the Hong Kong Stock Exchange (Stock Code: 6826) and the Sci-Tech Innovation Board of the SSE (Stock Code: 688366), respectively
"Company Law"	the Company Law of the People's Republic of China, as amended from time to time
"Contamac Group"	Contamac Holdings Limited and its subsidiaries
"Contamac Holdings"	Contamac Holdings limited, established in UK on 13 October 2009. As at the date of this annual report, the Company indirectly holds 79% of its equity interest
"CSRC"	China Securities Regulatory Commission
"Directors"	directors of the Company
"Group", "our Group", "we", "our" or "us"	our Company and its subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be)
"Hangzhou Aijinglun"	Hangzhou Aijinglun Technology Co., Ltd., (杭州愛晶倫科技有限公司), a company established in the PRC in January 2015. Since April 2020, the Company holds 55% of its equity interest

"Haohai Holdings"	"Haohai Healthcare Holdings Co., Ltd. (昊海生物科技控股有限公司), a limited liability company established in Hong Kong, the PRC on 17 July 2015, which is a wholly-owned subsidiary of our Company
"Haohai Development"	Shanghai Haohai Medical Technology Development Co., Ltd. (上海昊海醫藥科技發展有限公司), a wholly-owned subsidiary of our Company
"Hebei XSK"	Hebei Xinshikang Contact Lens Co., Ltd. (河北鑫視康隱形眼鏡有限公司), established in July 2012. Since April 2021, the Company indirectly holds 60% of its equity interest
"Henan Universe"	Henan Universe Intraocular Lens Research and Manufacture Company, Ltd (河南宇宙人工晶狀體研製有限公司), a wholly-owned subsidiary of the Company
"Hengtai Vision"	Shanghai Hengtai Vision Technology Co., Ltd. (上海亨泰視覺科技有限公司), established in July 2017. Since April 2021, the Company indirectly holds 55% of its equity interest
"Hong Kong Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"H Share(s)"	the overseas-listed foreign share(s) in the share capital of the Company with a par value of RMB1.00 each, which are listed on the Main Board of the Hong Kong Stock Exchange and traded in Hong Kong dollars
"H Shareholder(s)"	holder(s) of H Shares
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Incentive Scheme" or "2021 Restricted A Share Incentive Scheme"	the Company's 2021 restricted A Share incentive scheme approved and adopted by its Shareholders at the 2022 general meeting, the 2022 first A Shareholders' class meeting and the2022 first H Shareholders' class meeting held on 7 March 2022
"Independent Non-executive Director(s)"	the independent non-executive Director(s) of the Company

"Juva Medical"	OHMK (TianJin) Medical Technology Co. Ltd. (歐華美科（天津）醫學科技有限公司), a company established in the PRC in May 2014. In February 2021, the Company entered into various agreements to purchase its equity interest and inject new capital, the Company holds 63.64% of its equity interest as at the date of this annual report
"Nanpeng Optical"	Xiamen Nanpeng Optical Company Limited (廈門南鵬光學有限公司), established in March 2013. Since January 2022, the Company indirectly holds 51% of its equity interest
"NIMO"	Shenzhen New Industries Material of Ophthalmology Co., Ltd. (深圳市新產業眼科新技術有限公司), a company established in the PRC on 27 April 2006. Since November 2016, the Company holds 60% of its equity interest
"NMPA"	The National Medical Products Administration of the PRC
"PRC", "China" or "People's Republic of China"	the People's Republic of China which, for the purpose of this report only, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
"Qingdao Huayuan"	Qingdao Huayuan Fine Biological Product Co., Ltd. (青島華元精細生物製品有限公司), a wholly-owned subsidiary of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"Reporting Period"	the 12-month period from 1 January 2021 to 31 December 2021
"Restricted Share(s)"	A Share(s) to be granted to the Participants by the Company on such conditions and at the Grant Price stipulated under the Incentive Scheme, which are subject to the attribution conditions stipulated under the Incentive Scheme and can only be attributed and transferred after satisfactory with the attribution conditions
"Shanghai Qisheng"	Shanghai Qisheng Biologics Company Limited (上海其勝生物製劑有限公司), a wholly-owned subsidiary of the Company
"Shanghai Jianhua"	Shanghai Jianhua Fine Biological Products Company Limited (上海建華精細生物製品有限公司), a wholly-owned subsidiary of the Company
"Shanghai Likangrui"	Shanghai Likangrui Biological Engineering Company Limited (上海利康瑞生物工程有限公司), a wholly-owned subsidiary of the Company
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Share(s)"	A Share(s) and/or H Share(s)
"Shareholder(s)"	A Shareholder(s) and/or H Shareholder(s)
"SSE"	the Shanghai Stock Exchange
"Supervisor(s)"	the member(s) of the Supervisory Committee
"Supervisory Committee"	the supervisory committee of the Company
"STAR Market Listing Rules"	the Rules Governing the Listing of Securities on the Sci-Tech Innovation Board of the Shanghai Stock Exchange, as amended from time to time
"Zhuhai Eyegood"	Eyegood Medical (Zhuhai) Co. Ltd. (珠海艾格醫療科技開發有限公司), which became a wholly-owned subsidiary of the Company in December 2017 and was cancelled in May 2021
"%"	per cent

GLOSSARY OF TECHNICAL TERMS

The glossary of technical terms contains explanations and definitions of certain terms used in this annual report in connection with us and our business. The terms and their meaning may not correspond to meanings or usage of these terms as used by others.

"anti-adhesion"	prevention of fibrous bands formed between tissues and adjacent tissues or organs resulted from injuries during a surgery
"chitosan" (幾丁糖)	a class of polysaccharide without acetyl group or with partial acetyl group, dissolvable in acidic conditions
"clinical trial"	a research study for validating or finding the therapeutic effects and side-effects of test drugs in order to determine the therapeutic value and safety of such drugs
"EGF"	epidermal growth factor, is a polypeptide growth factor that stimulates epidermal and epithelial growth. It can promote growth of a wide of variety of cells *in vivo* and *in vitro*
"hemostasis"	the arrest of bleeding
"intraocular lens" or "IOL"	an artificial lens implanted in the eyes used to replace natural Lens and to treat cataracts or myopia
"medical chitosan" (醫用幾丁糖)	normally carboxyl-methylated chitosan which can be dissolved in water, regulated by National Medical Products Administration as a Class III medical device
"medical collagen sponge"	spongy material manufactured from bovine tendon by biological purification. It is used to fill operational cavity, wound hemostasis and wound healing
"medical sodium hyaluronate gel" (醫用透明質酸鈉凝膠)	sodium hyaluronate gel solution used for the ophthalmic surgery or anti-adhesive surgery, regulated by National Medical Products Administration as a Class III medical device
"ophthalmic viscoelastic device" or "OVD"	viscoelastic sodium hyaluronate solution used in ophthalmic surgery. It can play the role of cushion to deepen the anterior amber, which makes the operation convenient. It can also protect intraocular tissue and endothelial cell with improved success rate and reduced surgical complications. It is widely used in microsurgeries such as artificial contact lens implantation, penetrating keratoplasty surgery as well as ocular trauma
"Orthokeratology Lens"	a rigid gas permeable contact lenses for myopia control and vision correction function
"Phakic Refractive Lens" or "PRL"	a precise optical component that is surgically implanted into the eyes to achieve refractive correction
"recombinant human epidermal growth factor" or "rhEGF"	EGF manufactured specifically by the technology of recombinant genetic engineering in Escherichia coli fermentation
"sodium hyaluronate injection" (玻璃酸鈉注射液)	sodium hyaluronate gel solution used for the intra-articular injection, regulated by National Medical Products Administration as a prescription drug
"tissue filling"	a process to inject biomaterials under the skin and fill in the area